



**Auditor of State
Betty Montgomery**

**CITY OF SANDUSKY
ERIE COUNTY**

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**CITY OF SANDUSKY
ERIE COUNTY**

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

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed Through Ohio Department of Development</i>			
Community Development Block Grant - Small Cities Program	A-C-00-172	14.228	\$ 405,341
	A-F-00-172		66,274
	A-F-01-172		<u>230,000</u>
Total Department of Housing and Urban Development			<u>701,615</u>
FEDERAL TRANSIT ADMINISTRATION			
<i>Passed Through Ohio Department of Transportation</i>			
Rural Transit Operating Grant	RPT-4022-021-021	20.509	231,942
Rural Transit Capital Grant	RPT-4022-020-012		18,387
Total Rural Transit Capital Grant			<u>250,329</u>
Total Federal Transit Administration			<u>250,329</u>
UNITED STATES DEPARTMENT OF JUSTICE			
<i>Direct</i>			
COPS More 97 Grant	97-CM-WX-1039	16.710	135,400
Universal Hiring Grant	98-UM-WX-1519		18,044
Total COPS Grants			<u>153,444</u>
Local Law Enforcement Block Grant	2000-LB-BX-2480	16.592	45,340
	2001-LB-BX-2159		12,184
Total Local Law Enforcement Block Grant			<u>57,524</u>
Total Department of Justice			<u>210,968</u>
TOTAL FEDERAL AWARDS EXPENDITURES			<u>\$ 1,162,912</u>

The accompanying notes are an integral part of this schedule.

**CITY OF SANDUSKY
ERIE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED DECEMBER 31, 2002**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

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

The City administers loan programs with funds provided by the U.S. Department of Housing and Urban Development (HUD) through the Ohio Department of Development. The loans are provided through the Community Development Block Grant Program (CFDA 14.228) for the purposes of rental housing rehabilitation and economic development. The City has also established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low-moderate income households and to eligible persons and to rehabilitate homes. The initial loans of these monies are 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. Loan agreements provide for equipment or other assets to be used as collateral for the loans. As of December 31, 2002, the total amount of loans outstanding, before allowances for uncollectible accounts of \$38,632, was \$1,842,415.

NOTE C - MATCHING REQUIREMENTS

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



**Auditor of State
Betty Montgomery**

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

City of Sandusky
Erie County
222 Meigs Street
Sandusky, Ohio 44870-2835

To the City Commission

We have audited the financial statements of the City of Sandusky, Erie County, (the City) as of and for the year ended December 31, 2002, and have issued our report thereon dated August 22, 2003, in which we noted that the City implemented a new financial reporting model and modified the capitalization threshold for capital assets. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the City in a separate letter dated August 22, 2003

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated August 22, 2003.

City of Sandusky
Erie County
Independent Accountants' Report on Compliance and on Internal
Control Required by *Government Auditing Standards*
Page 2

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

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

Betty Montgomery
Auditor of State

August 22, 2003



**Auditor of State
Betty Montgomery**

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

City of Sandusky
Erie County
222 Meigs Street
Sandusky, Ohio 44870-2835

To the City Commission

Compliance

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

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2002.

Internal Control over Compliance

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

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

Schedule of Federal Awards Expenditures

We have audited the basic financial statements of the City as of and for the year ended December 31, 2002, and have issued our report thereon dated August 22, 2003 in which we noted that the City implemented a new financial reporting model and modified the capitalization threshold for capital assets. The accompanying schedule of federal awards expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. We subjected this information to the auditing procedures applied in the audit of the financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the financial statements taken as a whole

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



Betty Montgomery
Auditor of State

August 22, 2003

**CITY OF SANDUSKY
ERIE COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Community Development Block Grant CFDA # 14.228
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**CITY OF SANDUSKY
ERIE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 §.315 (b)
DECEMBER 31, 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2001-20522-001	Ohio Revised Code § 5705.41(B) - failure by the City to follow budgetary procedures for on-behalf-payments made by the Ohio Department of Development (OWDA) for the City.	Yes	

CITY OF SANDUSKY, OHIO

Comprehensive Annual Financial Report

For the Year Ended
December 31, 2002

Introductory Section

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CITY OF SANDUSKY, OHIO

COMPREHENSIVE

ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2002

Prepared By:

Department of Finance

Edward A. Widman
Finance Director

Carolyn S. Meyer
Office Manager

Carol A. Roth
Secretary

Cathy Bales
Senior Accounting Clerk II

Mary Lauber
Senior Accounting Clerk II



CITY OF SANDUSKY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2002

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DEPARTMENT OF FINANCE
DIVISION OF FINANCE & AUDITS
EDWARD A. WIDMAN, Finance Director

222 MEIGS STREET
SANDUSKY, OHIO 44870
(419) 627-5888
FAX (419) 627-5892

August 22, 2003

To the City Commission and Citizens of Sandusky,

The Comprehensive Annual Financial Report of the City of Sandusky for the year ended December 31, 2002, is herewith submitted. This report is prepared according to generally accepted accounting principles (GAAP) and includes the early implementation of GASB Statement No. 34. The responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by its financial activity, and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial activity have been included.

This report is divided into three sections: The Introductory Section contains the table of contents, the letter of transmittal, the Certificate of Achievement for Excellence in Financial Reporting awarded for the 2001 City of Sandusky Comprehensive Annual Financial Report, the City's functional chart, and a list of elected and appointed officials. The Financial Section includes the Management's Discussion and Analysis (MD&A), basic financial statements and notes, and relevant supplemental information for the year ended December 31, 2002. The Statistical Section includes tables of unaudited data depicting the financial history of the City and other pertinent facts, generally presented on a multi-year basis.

GAAP require the Management's Discussion Analysis (MD&A), a narrative introduction, overview, and analysis of the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

CITY BACKGROUND

The City of Sandusky is ideally located. Sandusky Bay on Lake Erie is larger than any of Ohio's inland lakes and in conjunction with Lake Erie provides a wide spectrum of recreational activities to the citizens as well as to travelers. Sandusky is the largest city in Erie County and is the county seat. Major east-west transportation arteries are available to vehicles and trains, north-south highways are excellent for vehicular traffic, and a local airport provides access to small commercial planes.

The City of Sandusky is a home rule municipal corporation under the laws of the State of Ohio and, as such, operates under its own Charter adopted in 1914. The City operates under the City Commission - City Manager form of government. The seven City Commissioners are elected at-large and serve four-year terms. The president of the City Commission serves as the Ex-Officio Mayor. The City Manager, Finance Director, Law Director, and Clerk of Commission are appointed by, and serve at the pleasure of, the City Commission.

REPORTING ENTITY

The 2002 Comprehensive Annual Financial Report (CAFR) includes all funds, departments, boards, and agencies that compose the City's reporting entity. The primary government consists of all funds and departments which provide various services including police and fire protection, planning, zoning, street maintenance, public transit, floral parks, recreation, forestry, cemetery, water filtration treatment plant and distribution systems, water pollution control treatment plant and sewer collector systems, and general government services.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to the organization; or the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the issuance of debt, or the levying of taxes. There were no component units of the City of Sandusky in 2002.

The City of Sandusky is a member of the Buckeye Ohio Risk Management Agency (BORMA); a public entity shared risk pool for health insurance coverage and property, crime, and liability insurance coverage. The BORMA pool consists of thirteen cities for health insurance and six cities for property, crime, and liability insurance.

INTERNAL CONTROL AND FINANCIAL REPORTING

In developing and evaluating the City's accounting system, consideration is given to the accuracy of internal accounting controls. Internal accounting controls are designed to provide reasonable assurance regarding:

1. The safeguarding of assets against loss from unauthorized use or disposition; and
2. The reliability of financial records for preparing financial statements and maintaining accountability for assets.

The concept of reasonable assurance recognizes that:

1. Cost of controls should not exceed the benefits likely to be derived from their implementation; and
2. The evaluation of costs and benefits requires estimates and judgements by management.

All internal control evaluations occur within the above framework. We believe the City's internal controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Consistent with the above-mentioned safeguarding of assets, all employees of the City of Sandusky are covered by a blanket bond, in the amount of \$1 million.

Budgetary control is maintained by City ordinance. Internal control provides for audit at the levels of personal services, travel and transportation, contractual services, materials and supplies, and capital outlay. Each department is responsible for requisitioning materials. The budget is audited by the City Manager prior to issuing the purchase order. The Finance Director audits the purchase order, via computer control, prior to signing the purchase order.

MANAGEMENT/EMPLOYEE RELATIONS

The City negotiates with three bargaining units: American Federation of State, County, and Municipal Employees Local No. 1519, the Fraternal Order of Police - Lodge No. 17, and the International Association of Fire Fighters - Local No. 327. In January 2001, the respective unions and the City Commission approved new contracts with all three bargaining units providing 4 percent base wage increases for three years. These agreements expire December 31, 2003.

CASH MANAGEMENT

During the year ended December 31, 2002, the City's cash resources, temporarily idle during the year, were invested in certificates of deposit with local depositories, U.S. government securities, and Star Ohio. Long-term investments include bonds of the City of Sandusky and range from one year to fifteen years and carry interest rates from 2.5 percent to 9.5 percent.

As of December 31, 2002, the City's total available cash resources were divided between deposits and investments (bank balances of the deposits and the carrying amounts of investments) as follows:

Cash	\$3,815	0.02%
Deposits	10,499,305	48.60
U.S. Government Securities	5,854,930	27.10
City of Sandusky Bonds	201,814	0.93
Star Ohio	5,045,358	23.35
Total	<u>\$21,605,222</u>	<u>100.00%</u>

RISK MANAGEMENT

The City participates in the Buckeye Ohio Risk Management Agency (BORMA); a public entity shared risk pool. The City insures all risk through BORMA and maintains a variety of coverage. Some of the principal coverage includes property, crime, and liability insurance. A more detailed description of the City's risk management may be found in Note 12 to the combined financial statements.

The City pays the State Workers' Compensation system a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

ACCOUNTING AND AUDIT

The Auditor of State of Ohio audits all operations of the City of Sandusky. Technical assistance in the preparation of this report has been provided by the Local Government Services Section, Auditor of State's Office.

ECONOMIC CONDITION AND OUTLOOK

The City has a unique position as a tourist center due to the City's location on Sandusky Bay, with over twenty-two miles of shoreline within the City limits, and the location of Cedar Point Amusement Park within the City. Several years ago, the City enhanced its shoreline by entering into a development agreement with a private developer in order to implement improvements to the City's Battery Park Marina and adjacent park. These improvements included not only the marina and park, but also a restaurant and a break wall. Battery Park is now a successful commercial operation, which has further enhanced the use of the City's waterfront. Further improvements to the City's waterfront include Shoreline Park, which consists of shore protection, bridges, sidewalks, parking, a gazebo, playground equipment, landscaping, and lighting as well as the 1.7 mile Bay-Front Corridor, a linear park linking major attractions located on the City's central waterfront with a continuous walkway. In 1998, the City received a very generous donation (over \$1 million), from a long time Sandusky benefactor, to develop a plaza at the foot of Columbus Avenue as part of the Bay-Front Corridor development; that project was completed in 2000. All of these waterfront improvements are part of the Port Development Plan adopted by the City Commission in 1991 and updated in 1996.

Besides Battery Park Marina, there are other marinas which have developed over the last decade, including a \$5 million, 700 slip marina created from idle industrial space and a 210 slip marina complex completed by a local legal firm, which also erected a waterfront office center on that site. The Lyman Harbor Marina project rehabilitated an abandoned industrial site into a transient marina and entertainment complex and received a tax abatement for its \$2.94 million project. There are over 8,000 slips available in the Sandusky Bay area.

The City is served by a number of boat lines that transport passengers and automobiles to certain islands in Lake Erie as well as offering daylong cruises to those islands for tourists. The City is served by a Canadian ferryboat line that provides ferry services to Canada. The City is a significant port of entry to Canada.

Cedar Point, a 364-acre amusement and theme park, is located on a peninsula extending into Lake Erie from the City. Developed as a resort area in 1870, Cedar Point is open daily from early May to early October, attracting in excess of 3 million visitors each season to its numerous rides and attractions. Cedar Point also includes a recreational vehicle area, marina, restaurants, one of which is open year-round, and two hotels with a combined capacity of almost 1,100 beds which are open during Cedar Point's season. A water park attraction, with a separate entrance, is included at the park as well as "Challenge Park", with miniature golf, bungee jumping, and grand prix racing. Cedar Point employs 3,700 seasonal employees, primarily college students, and approximately 400 year-round employees.

Significant capital expenditures on new attractions are made every year at Cedar Point. These expenditures were over \$85,000,000 during the last few years. Cedar Point opened "Breakers Express" hotel in 2001. The admission and the hotel/motel taxes generated from Cedar Point provide a significant amount of revenue for the City's General fund. In 2003, they opened another new roller coaster, their 16th. It is called the "Top Thrill Dragster" and they tout it as the tallest and fastest in the world.

The City continues to aggressively pursue economic growth through a number of initiatives. One of the City's most important economic development functions is supporting the retention and expansion of existing businesses. Five different companies received loans from the City's Revolving Loan Fund (RLF) totaling \$290,213. In the past several years, the City has also provided support to local businesses by selling over seven acres of business park land to three different growing companies. Finally, two companies were able to expand because of tax abatements that the City and schools provided.

The Streetscape Project in the City's Central Business District has been completed. This project, coupled with the completion of the City's Downtown Revitalization Program, has resulted in major improvements to the infrastructure of the Central Business District and to several private buildings located in that area. In 2002, the Main Streets Program received a Downtown Revitalization grant for over \$400,000 to renovate buildings. In 2003, we will establish a Community Reinvestment Area to reduce the cost of improving downtown buildings.

The City also constructed the first phase of a pedestrian path. The path extends from City Hall to Shoreline Park.

In 1999, the City purchased the Chesapeake Building and started plans to revitalize about forty acres of the waterfront, including the Chesapeake property. In 2002, the Bay-Front Corridor Committee was established to act as an advisory committee on the selection of a developer. They received proposals from six developers and selected Mid-States Development Corporation to develop the properties. Mid-States plans to invest over \$130 million to revitalize the area.

The City has established many programs to encourage economic development, including the Sandusky Enterprise Zone Program and the Sandusky Revolving Loan Program. The City has successfully negotiated with new and existing businesses to help them locate or expand within the City, using these and State of Ohio development tools. In 1998, the City established the Economic Development Incentives Review Committee to provide a strong structure for dealing with City incentives. The City also continues to develop neighborhood improvement projects that add to the quality of life for residents and also provide economic development benefits by visually improving areas within the community. The City has maintained its Labor Surplus Area Designation and its Impacted City Certification by the State Department of Development. These designations help the City provide additional economic development tools for use with manufacturing and commercial development projects.

MAJOR INITIATIVES

The City's Historic Downtown has been the focus for Downtown Development Manager Susan Pike. Through her efforts, the City was designated a Main Street Community and was also awarded a Downtown Revitalization grant by the Ohio Department of Development.

Under the leadership of Mike Will, Economic Development Specialist, the Bayfront Corridor Committee was formed as an advisory committee on downtown waterfront development. The committee prioritized the needs of the downtown area, solicited development proposals, and recommended a developer to the City Commission. The proposed development will convert the Chesapeake Building into condominiums and a restaurant and will add a marina, retail shops, and an indoor water park resort.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded for the eleventh time a Certificate of Achievement for Excellence in Financial Reporting to the City of Sandusky, Ohio, for its Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2001. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

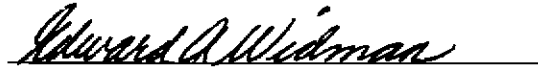
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

ACKNOWLEDGMENTS

The employees of the City are dedicated to serving the citizens of Sandusky within the best of their capabilities. We wish to take this opportunity to thank the City Commission for its continuing support and to thank our department heads and staff for their diligent efforts to keep Sandusky financially sound and a special place in which to live and work.

Special thanks to the staff of the Department of Finance who have spent so many hours on the preparation of this report. Without their efforts, this report would not have been possible.


Edward A. Widman,
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Sandusky,
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2001

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William Patrick Pate

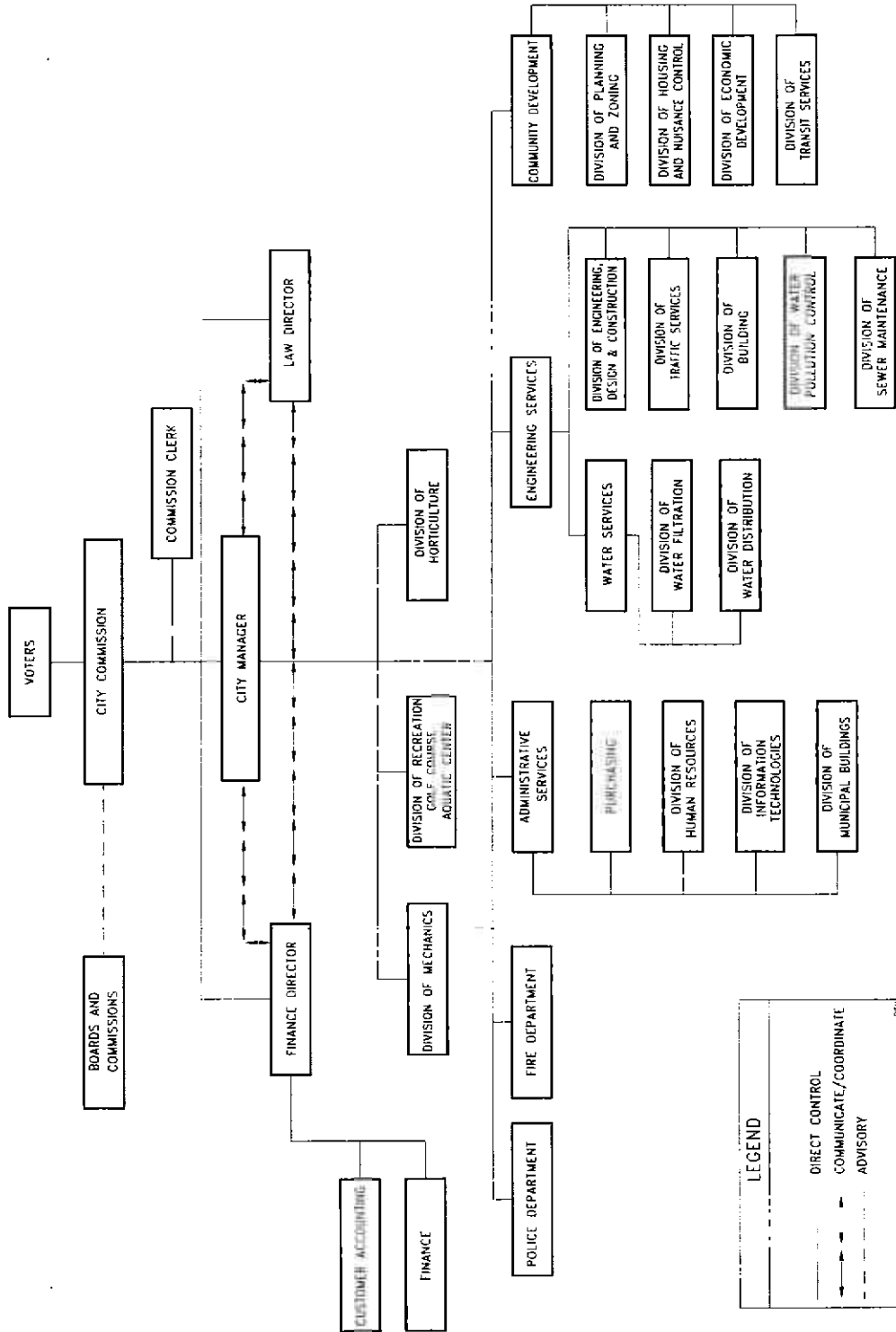
President

Jeffrey R. Emmer

Executive Director

2002

FUNCTIONAL CHART City of Sandusky



Revised 10/10/2002
c:\herf2002.dwg

CITY OF SANDUSKY, OHIO

ELECTED OFFICIALS
December 31, 2002

CITY COMMISSION

Frank Valli
President/Ex-Officio Mayor
Term Expires 12-31-03
First took office 01-01-96

Suanne N. Brown
Term Expires 12-31-05
First took office 01-01-98

John G. Ginty
Term Expires 12-31-03
First took office 01-01-00

Al Mason
Term Expires 12-31-03
First took office 01-01-96

Leroy Sizemore
Vice-President
Term Expires 12-31-05
First took office 01-01-88
Re-elected 01-01-02

Frank M. Fosco
Term Expires 12-31-03
First took office 01-01-00

Michael J. Kresser
Term Expires 12-31-05
First took office 01-01-86
Re-elected 01-01-98

APPOINTED OFFICIALS
December 31, 2002

CITY MANAGER
Gerald A. Lechner

FINANCE DIRECTOR
Edward A. Widman

LAW DIRECTOR
Donald C. Icsman

CLERK OF COMMISSION
B. Joyce Brown

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Financial Section

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANT'S REPORT

City of Sandusky
Erie County
222 Meigs Street
Sandusky, Ohio 44870-2837

To the City Commission

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sandusky, Erie County, (the City) as of and for the year ended December 31, 2002, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit 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 the City of Sandusky, Erie County, Ohio, as of December 31, 2002, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended December 31, 2002, the City implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements— and Management's Discussion and Analysis— for State and Local Governments*.

As described in Note 3, during the year ended December 31, 2002, the City modified the capitalization threshold for capital assets.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2003 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining nonmajor fund statements and schedules and statistical tables are presented for additional analysis and are not a required part of the basic financial statements. We subjected the combining nonmajor fund statements and schedules 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. We did not subject the introductory section and statistical tables to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.



Betty Montgomery
Auditor of State

August 22, 2003

CITY OF SANDUSKY
Management's Discussion and Analysis
For the Year Ended December 31, 2002
Unaudited

The discussion and analysis of the City of Sandusky's financial performance provides an overview of the City's financial activities for the year ended December 31, 2002. The intent of this discussion and analysis is to look at the City's financial performance as a whole.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2002 are as follows:

In total, the City's net assets increased \$1,244 thousand. Governmental activities had a net decrease of \$1,372 thousand. Business-type activities increased by \$2,616 thousand. Business-type activities are the City's Water and Sewer funds. These activities are supported by utility rates.

Contracts for improvements to the City's water and sewer treatment facilities were awarded in 2002. A lift station that serves the Cedar Point amusement park and adjoining residential areas was completed during 2002. These projects were funded with resources borrowed from the Ohio Water Development Authority (OWDA) and the utility rates referenced.

Both of the City's enterprise funds had an operating income in 2002 indicating operating revenues are currently sufficient to cover operating expenses of the respective funds. As needed, rate increases in the Water and Sewer enterprise funds should keep these funds with positive operating balances.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the City of Sandusky's financial position.

The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole, presenting both an aggregate and a longer-term view of the City.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term and what remains for future spending. Fund financial statements report the City's most significant funds individually and the City's nonmajor funds in a single column. The City's major funds are the General, Special Assessment Bond Retirement, Capital Projects, Water, and Sewer funds.

REPORTING THE CITY AS A WHOLE

Statement of Net Assets and Statement of Activities

The Statement of Net Assets and the Statement of Activities reflect how the City did financially during 2002. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

CITY OF SANDUSKY
Management's Discussion and Analysis
For the Year Ended December 31, 2002
Unaudited

These statements report the City's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the City as a whole has increased or decreased from the prior year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors can include changes in the City's property tax base and the condition of the City's capital assets (buildings; streets; bridges; water, and sewer lines). These factors must be considered when assessing the overall health of the City.

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

- **Governmental Activities** - Most of the City's programs and services are reported here, including security of persons and property, public health, leisure time activities, community environment, transportation, and general government (which includes the municipal court). These services are primarily funded by property and income taxes and from intergovernmental revenues, including federal and state grants and other shared revenues.
- **Business-Type Activities** - These services are provided on a charge for services basis and are intended to recover all or most of the costs of the services provided. The City's water and sewer services are reported here.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Fund financial statements provide detailed information about the City's major funds, the General, Special Assessment Bond Retirement, Capital Projects, Water, and Sewer funds. While the City uses many funds to account for its financial transactions, these are the most significant.

Governmental Funds - The City's governmental funds are used to account for essentially the same programs reported as governmental activities on the government-wide financial statements. Most of the City's basic services are reported in these funds and focus on how money flows into and out of the funds, as well as the balances available for spending at year end. These funds are reported on the modified accrual basis of accounting which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services being provided.

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 on the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to help make this comparison between governmental funds and governmental activities.

Enterprise Funds - The City's enterprise funds use the accrual basis of accounting, the same as that used for the business-type activities on the government-wide financial statements.

CITY OF SANDUSKY
Management's Discussion and Analysis
For the Year Ended December 31, 2002
Unaudited

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the City's programs. These funds also use the accrual basis of accounting.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Table 1 provides a summary of the City's net assets for 2002 compared to 2001.

Table 1
Net Assets
(In thousands)

	Governmental Activities		Business-Type Activities		Total	
	2002	2001	2002	2001	2002	2001
<u>Assets</u>						
Current and Other Assets	\$26,212	\$30,274	\$9,493	\$6,459	\$35,705	\$36,733
Capital Assets, Net	48,939	46,711	27,202	20,463	76,141	67,174
Total Assets	<u>75,151</u>	<u>76,985</u>	<u>36,695</u>	<u>26,922</u>	<u>111,846</u>	<u>103,907</u>
<u>Liabilities</u>						
Current and Other Liabilities	5,836	5,794	3,157	3,281	8,993	9,075
Long-Term Liabilities	23,889	24,393	17,780	10,499	41,669	34,892
Total Liabilities	<u>29,725</u>	<u>30,187</u>	<u>20,937</u>	<u>13,780</u>	<u>50,662</u>	<u>43,967</u>
<u>Net Assets</u>						
Invested in Capital						
Assets, Net of Related Debt	29,920	27,672	7,775	8,082	37,695	35,754
Restricted	10,769	13,971	0	0	10,769	13,971
Unrestricted	4,737	5,155	7,983	5,060	12,720	10,215
Total Net Assets	<u>\$45,426</u>	<u>\$46,798</u>	<u>\$15,758</u>	<u>\$13,142</u>	<u>\$61,184</u>	<u>\$59,940</u>

Total net assets for governmental activities decreased \$1,372 thousand. For 2002, both municipal income tax and interest revenues were less than the previous year. With a sluggish economy, it is not anticipated that there will be increases in the governmental activities unless new revenue sources are developed.

The increase in total net assets for business-type activities of \$2,616 thousand can largely be attributed to several OWDA funded activities in both the water and sewer utilities. The City is undertaking several projects in both utilities that will assure the quality of services meet the standards as required by the Environmental Protection Agency (EPA). Due to the magnitude of the projects underway, the City has raised the utility rates annually by 35, 30, and 25 percent since January 2001.

CITY OF SANDUSKY
Management's Discussion and Analysis
For the Year Ended December 31, 2002
Unaudited

Table 2 reflects the changes in net assets for 2002. Since this is the first year the City has prepared financial statements according to GASB Statement No. 34, revenue and expense comparisons to 2001 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

Table 2
Changes in Net Assets
(In Thousands)

	Governmental Activities	Business-Type Activities	Total
	2002	2002	
<u>Revenues</u>			
Program Revenues			
Charges for Services	\$4,378	\$11,208	\$15,586
Operating Grants, Contributions, and Interest	1,578	0	1,578
Capital Grants and Contributions	129	0	129
Total Program Revenues	6,085	11,208	17,293
General Revenues			
Property Taxes	2,257	0	2,257
Payment in Lieu of Taxes	19	0	19
Municipal Income Taxes	7,344	0	7,344
Other Local Taxes	4,001	0	4,001
Grants and Entitlements not Restricted to Specific Programs	1,430	0	1,430
Interest	479	0	479
Other	843	72	915
Total General Revenues	16,373	72	16,445
Total Revenues	22,458	11,280	33,738
Transfers	51	(51)	0
Total Revenues and Transfers	22,509	11,229	33,738
<u>Program Expenses</u>			
Security of Persons and Property			
Police	5,088	0	5,088
Fire	5,058	0	5,058
Other	111	0	111
Public Health	349	0	349
Leisure Time Activities	682	0	682
Community Environment	2,846	0	2,846
Transportation	3,582	0	3,582
General Government			
Municipal Court	827	0	827
Other	4,097	0	4,097
Other	54	0	54
Interest and Fiscal Charges	1,187	0	1,187
Water	0	3,506	3,506
Sewer	0	5,107	5,107
Total Expenses	23,881	8,613	32,494
Increase (Decrease) in Net Assets	(\$1,372)	\$2,616	\$1,244

CITY OF SANDUSKY
Management's Discussion and Analysis
For the Year Ended December 31, 2002
Unaudited

The major program expenses for governmental activities are for the police and fire departments, which account for 43 percent of all governmental expenses. The daily cost of running the City (General Government - Other) is 17 percent and includes staffing for Engineering and Information Systems/Technology Services besides the cost of Management, Financial, Legal, and Legislative Services. Transportation and Community Environment (Planning, Zoning, and Horticulture) combine for another 27 percent of overall expenses. These areas represent 87 percent of the general expenses of the City of Sandusky. The taxes that support these services did not require a vote by the citizens of Sandusky.

The City's water and sewer operations account for the expenses of the City's business-type activities and are funded almost entirely from charges for services.

Table 3, indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted intergovernmental revenues. Comparisons to 2001 have not been made since they are not available for this year.

Table 3
Governmental Activities
(In Thousands)

	Total Cost of Services 2002	Net Cost of Services 2002
Security of Persons and Property		
Police	\$5,088	\$4,639
Fire	5,058	4,599
Other	111	111
Public Health	349	223
Leisure Time Activities	682	326
Community Environment	2,846	1,294
Transportation	3,582	1,715
General Government		
Municipal Court	827	(340)
Other	4,097	3,988
Other	54	54
Interest and Fiscal Charges	1,187	1,187
Total Expenses	\$23,881	\$17,796

It should be noted that for all governmental activities, over 74 percent of the revenues to provide these services are derived from the City's general revenues; that being primarily property taxes, municipal income taxes, tourism taxes, and State shared revenues.

CITY OF SANDUSKY
Management's Discussion and Analysis
For the Year Ended December 31, 2002
Unaudited

The negative net cost of services for General Government-Municipal Court indicates that program revenues are sufficient to cover the costs of this program, which includes revenues to offset the cost of running the court and fines. Under Ohio Law, judges can establish restricted accounts to offset programs of the court. As such, there are various court related special revenue funds which provide for certain court activities. While the combined operations of the court resulted in the \$340 thousand negative net cost of services, over \$400 thousand of court generated revenues were generated in special revenue funds and not generated to offset the day to day cost of running the court, or those costs paid from the General Fund.

GOVERNMENTAL FUND FINANCIAL ANALYSIS

The City's major governmental funds are the General Fund, the Special Assessment Bond Retirement debt service fund, and the Capital Projects capital projects fund. A review of these funds indicates insignificant changes in activity in the General Fund and Special Assessment Bond Retirement fund. The decrease in fund balance in the Capital Projects fund of \$3,827 thousand is due to construction activities at the library. Bond proceeds for this construction were received in prior years.

BUSINESS-TYPE ACTIVITIES FINANCIAL ANALYSIS

The City's enterprise funds are the Water and Sewer funds. As can be seen on the statement of activities, program revenues, primarily charges for services, have been sufficient to cover the expenses of the respective funds.

Currently, the Water and Sewer Funds are generating adequate revenues to cover the cost of operations and debt service. These funds are accumulating a significant amount of debt with the Ohio Water Development Authority for major renovations in progress at the water and sewer treatment plants. The improvements are required to keep the City in compliance with EPA standards. There will be additional improvements within both utilities. The City did increase water and sewer rates by 25 percent in January 2003 as part of a three-year rate program to provide additional funds for operations and future debt retirement.

BUDGETARY HIGHLIGHTS

The City prepares an annual budget of revenues and expenditures/expenses for all funds of the City for use by City officials and department heads and such other budgetary documents as are required by State statute. The annual appropriations ordinance cannot be adopted prior to the second Monday in January of each year per City Charter. The City approves a temporary appropriation until the annual appropriations are approved. The City's most significant budgeted fund is the General Fund. Modifications from the original to the final budget have been minimal. City department heads continue to demonstrate a willingness to work with the administration and elected officials to stay within their budgets.

CITY OF SANDUSKY
Management's Discussion and Analysis
For the Year Ended December 31, 2002
Unaudited

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - The City's investment in capital assets for governmental and business-type activities as of December 31, 2002, was \$29,920,305 and \$7,775,513, respectively (net of accumulated depreciation and related debt). The investment in capital assets includes land; construction in progress; buildings; improvements other than buildings; streets; bridges; equipment; utility plant; and water and sewer lines. The additions for governmental activities were primarily due to construction in progress related to the library improvements. The additions for business-type activities were also primarily related to construction in progress for improvements at the water and sewer treatment facilities. Note 11 to the basic financial statements provides details on the capital assets activity during 2002.

Debt - At December 31, 2002, the City had \$1,629,640 in bond anticipation notes payable from governmental activities and \$2,242,360 in bond anticipation notes payable from business-type activities.

The City also had a number of long-term obligations outstanding. These obligations included \$19,212,333 in general obligation bonds, \$2,781,485 in special assessment bonds, \$1,647,000 in general obligation revenue bonds, and \$15,594,157 in Ohio Water Development Authority loans. Of the total long-term obligations, \$17,183,971 will be repaid from business-type activities.

In addition to the debt outlined above, the City's long-term debt also includes compensated absences. Notes 17 and 18 to the basic financial statements provide further details on the City's debt activity.

CURRENT ISSUES

The City of Sandusky has been experiencing the challenges that a slowing economy creates. There are several manufacturing facilities and grocery store chains that have closed in the past year. The current unemployment rate in Erie County is 7.2 percent, which is above the State rate of 6.3 percent. Ohio is similar to the national unemployment rate. The area experiences a seasonal improvement in unemployment due to the tourism industry in most years.

The City has been fortunate to be blessed with several community foundations that provide valuable financial assistance to various projects within the region. The Mylander, Dorn, and Frost-Parker Foundations have assisted the City when resources are a little short. Recently the community helped a local group of young people raise funds for a skate boarding facility that the City could not match the local share requirement of a grant.

Sandusky is skilled in raising funds through various grant opportunities. In the last year alone, the City was able to receive over \$1.7 million in grant and revolving loan payments. These funds help programs that fund Fair Housing, Economic Development, Public Transit, and Downtown Revitalization efforts.

With Sandusky being located on Sandusky Bay and Lake Erie, the waterfront provides a unique advantage for our downtown. The City is in the process of working with Mid-States Development Corporation to develop the properties within the downtown.

CITY OF SANDUSKY
Management's Discussion and Analysis
For the Year Ended December 31, 2002
Unaudited

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those interested in our City's financial well being. Questions concerning any of the information provided in this report or requests for additional information should be directed to Edward A. Widman, Finance Director, 222 Meigs Street, Sandusky, Ohio 44870.

City of Sandusky
Statement of Net Assets
December 31, 2002

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$13,655,004	\$7,762,603	\$21,417,607
Accounts Receivable	413,815	994,318	1,408,133
Accrued Interest Receivable	101,409	0	101,409
Due from Other Governments	1,383,060	285,262	1,668,322
Municipal Income Taxes Receivable	2,984,613	0	2,984,613
Other Local Taxes Receivable	260,220	0	260,220
Prepaid Items	12,104	21,739	33,843
Materials and Supplies Inventory	209,847	392,069	601,916
Property Taxes Receivable	2,430,115	0	2,430,115
Notes Receivable	1,803,783	0	1,803,783
Special Assessments Receivable	2,951,621	0	2,951,621
Unamortized Bond Issuance Cost	6,120	36,912	43,032
Nondepreciable Capital Assets	8,386,241	8,142,879	16,529,120
Depreciable Capital Assets, Net	40,552,917	19,058,965	59,611,882
Total Assets	75,150,869	36,694,747	111,845,616
<u>Liabilities</u>			
Accrued Wages Payable	380,967	111,327	492,294
Accounts Payable	168,452	54,188	222,640
Contracts Payable	385,791	161,335	547,126
Due to Other Governments	638,402	148,483	786,885
Accrued Interest Payable	84,809	437,856	522,665
Notes Payable	1,629,640	2,242,360	3,872,000
Retainage Payable	281,395	1,040	282,435
Deferred Revenue	2,266,131	0	2,266,131
Long-Term Liabilities			
Due Within One Year	1,121,155	536,643	1,657,798
Due in More Than One Year	22,768,440	17,243,300	40,011,740
Total Liabilities	29,725,182	20,936,532	50,661,714
<u>Net Assets</u>			
Invested in Capital Assets, Net of Related Debt	29,920,305	7,775,513	37,695,818
Restricted for			
Capital Projects	3,566,314	0	3,566,314
Debt Service	1,172,155	0	1,172,155
Other Purposes	6,029,865	0	6,029,865
Unrestricted	4,737,048	7,982,702	12,719,750
Total Net Assets	\$45,425,687	\$15,758,215	\$61,183,902

See Accompanying Notes to the Basic Financial Statements

City of Sandusky
Statement of Activities
For the Year Ended December 31, 2002

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	
<u>Governmental Activities</u>				
Security of Persons and Property				
Police	\$5,087,828	\$142,713	\$305,626	\$0
Fire	5,058,422	459,763	0	0
Other	111,257	0	0	0
Public Health	348,886	125,348	0	0
Leisure Time Activities	681,746	355,775	0	0
Community Environment	2,845,508	683,709	868,207	0
Transportation	3,582,466	1,334,256	403,696	129,520
General Government				
Municipal Court	826,586	1,166,953	0	0
Other	4,097,210	109,126	0	0
Other	54,504	0	0	0
Interest and Fiscal Charges	1,186,757	0	0	0
Total Governmental Activities	23,881,170	4,377,643	1,577,529	129,520
<u>Business-Type Activities</u>				
Water	3,506,290	5,375,558	0	0
Sewer	5,106,863	5,832,837	0	0
Total Business-Type Activities	8,613,153	11,208,395	0	0
Total	\$32,494,323	\$15,586,038	\$1,577,529	\$129,520

General Revenues

Property Taxes Levied for General Purposes
Property Taxes Levied for Debt Service
Payment in Lieu of Taxes
Municipal Income Taxes
Other Local Taxes
Grants and Entitlements not Restricted to Specific Programs
Interest
Other

Total General Revenues

Transfers

Change in Net Assets

Net Assets Beginning of Year - Note 3

Net Assets End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue
and Change in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$4,639,489)	\$0	(\$4,639,489)
(4,598,659)	0	(4,598,659)
(111,257)	0	(111,257)
(223,538)	0	(223,538)
(325,971)	0	(325,971)
(1,293,592)	0	(1,293,592)
(1,714,994)	0	(1,714,994)
340,367	0	340,367
(3,988,084)	0	(3,988,084)
(54,504)	0	(54,504)
(1,186,757)	0	(1,186,757)
(17,796,478)	0	(17,796,478)
0	1,869,268	1,869,268
0	725,974	725,974
0	2,595,242	2,595,242
(17,796,478)	2,595,242	(15,201,236)
1,746,584	0	1,746,584
510,501	0	510,501
19,286	0	19,286
7,343,607	0	7,343,607
4,000,787	0	4,000,787
1,430,527	0	1,430,527
479,135	302	479,437
842,572	72,073	914,645
16,372,999	72,375	16,445,374
51,396	(51,396)	0
(1,372,083)	2,616,221	1,244,138
46,797,770	13,141,994	59,939,764
\$45,425,687	\$15,758,215	\$61,183,902

City of Sandusky
Balance Sheet
Governmental Funds
December 31, 2002

	General Fund	Special Assessment Bond Retirement Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>					
Equity in Pooled Cash and Cash Equivalents	\$3,301,758	\$219,026	\$3,894,778	\$6,239,442	\$13,655,004
Accounts Receivable	146,698	0	867	266,250	413,815
Accrued Interest Receivable	72,641	0	11,909	16,859	101,409
Due from Other Governments	823,321	0	9,423	550,316	1,383,060
Municipal Income Taxes Receivable	2,652,763	0	0	331,850	2,984,613
Other Local Taxes Receivable	18,254	0	0	241,966	260,220
Prepaid Items	9,334	0	917	1,853	12,104
Materials and Supplies Inventory	91,931	0	0	117,916	209,847
Property Taxes Receivable	1,609,741	0	0	820,374	2,430,115
Notes Receivable	0	0	0	1,803,783	1,803,783
Special Assessments Receivable	0	2,951,621	0	0	2,951,621
Total Assets	<u>\$8,726,441</u>	<u>\$3,170,647</u>	<u>\$3,917,894</u>	<u>\$10,390,609</u>	<u>\$26,205,591</u>
<u>Liabilities and Fund Balance</u>					
<u>Liabilities</u>					
Accrued Wages Payable	\$350,357	\$0	\$0	\$30,610	\$380,967
Accounts Payable	75,192	1,671	0	91,589	168,452
Contracts Payable	0	0	352,258	33,533	385,791
Due to Other Governments	106,980	0	164	13,190	120,334
Accrued Interest Payable	0	0	4,253	2,377	6,630
Notes Payable	0	0	1,377,640	252,000	1,629,640
Retainage Payable	0	0	278,470	2,925	281,395
Deferred Revenue	4,879,870	2,951,621	5,590	2,040,020	9,877,101
Total Liabilities	<u>5,412,399</u>	<u>2,953,292</u>	<u>2,018,375</u>	<u>2,466,244</u>	<u>12,850,310</u>
<u>Fund Balance</u>					
Reserved for Encumbrances	64,040	0	2,691,197	80,480	2,835,717
Reserved for Notes Receivable	0	0	0	1,626,678	1,626,678
Unreserved, Reported in					
General Fund	3,250,002	0	0	0	3,250,002
Special Revenue Funds	0	0	0	5,400,820	5,400,820
Debt Service Fund	0	217,355	0	970,382	1,187,737
Capital Projects Funds (Deficit)	0	0	(791,678)	(153,995)	(945,673)
Total Fund Balance	<u>3,314,042</u>	<u>217,355</u>	<u>1,899,519</u>	<u>7,924,365</u>	<u>13,355,281</u>
Total Liabilities and Fund Balance	<u>\$8,726,441</u>	<u>\$3,170,647</u>	<u>\$3,917,894</u>	<u>\$10,390,609</u>	<u>\$26,205,591</u>

See Accompanying Notes to the Basic Financial Statements

City of Sandusky
 Reconciliation of Total Governmental Fund Balance
 to Net Assets of Governmental Activities
 December 31, 2002

Total Governmental Fund Balance		\$13,355,281
Amounts reported for governmental activities on the statement of net assets are different because of the following:		
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		48,939,158
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Accounts Receivable	404,058	
Accrued Interest Receivable	81,918	
Due from Other Governments	1,125,163	
Municipal Income Taxes Receivable	2,884,226	
Property Taxes Receivable	163,984	
Special Assessments Receivable	<u>2,951,621</u>	
		7,610,970
Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, not reported in the funds.		6,120
Due to other governments includes contractually required pension contributions not expected to be paid with available expendable financial resources and, therefore, not reported in the funds.		(518,068)
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:		
Accrued Interest Payable	(78,179)	
General Obligation Bonds Payable	(19,212,333)	
Compensated Absences Payable	(1,832,471)	
OWDA Loans Payable	(57,186)	
Special Assessment Bonds Payable	<u>(2,787,605)</u>	
		<u>(23,967,774)</u>
Net Assets of Governmental Activities		<u><u>\$45,425,687</u></u>

See Accompanying Notes to the Basic Financial Statements

City of Sandusky
Statement of Revenues, Expenditures,
and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2002

	General Fund	Special Assessment Bond Retirement Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<u>Revenues</u>					
Property Taxes	\$1,493,763	\$0	\$0	\$753,897	\$2,247,660
Payment in Lieu of Taxes	0	0	0	19,286	19,286
Municipal Income Taxes	6,404,770	0	0	435,587	6,840,357
Other Local Taxes	3,419,441	0	0	485,950	3,905,391
Special Assessments	0	432,978	7,460	122,017	562,455
Charges for Services	313,703	0	366,388	1,255,225	1,935,316
Fees, Licenses, and Permits	471,616	0	175,172	33,839	680,627
Fines and Forfeitures	904,368	0	0	76,064	980,432
Intergovernmental	1,506,765	0	129,520	2,109,387	3,745,672
Interest	379,348	0	125,715	284,363	789,426
Other	562,590	0	105,058	226,397	894,045
Total Revenues	15,456,364	432,978	909,313	5,802,012	22,600,667
<u>Expenditures</u>					
Current:					
Security of Persons and Property					
Police	4,151,728	0	0	663,837	4,815,565
Fire	3,641,695	0	0	682,713	4,324,408
Other	111,257	0	0	0	111,257
Public Health	262,611	0	0	50,234	312,845
Leisure Time Activities	0	0	0	562,636	562,636
Community Environment	1,869,792	0	0	633,214	2,503,006
Transportation	0	0	0	2,264,383	2,264,383
General Government					
Municipal Court	811,711	0	0	0	811,711
Other	3,772,315	1,671	0	0	3,773,986
Other	0	0	0	54,504	54,504
Capital Outlay	0	0	4,814,051	439,678	5,253,729
Debt Service:					
Principal Retirement	0	363,339	0	429,867	793,206
Interest and Fiscal Charges	0	189,344	16,877	987,862	1,194,083
Issuance Costs	0	0	0	6,120	6,120
Total Expenditures	14,621,109	554,354	4,830,928	6,775,048	26,781,439
Excess of Revenues Over (Under) Expenditures	835,255	(121,376)	(3,921,615)	(973,036)	(4,180,772)
<u>Other Financing Sources (Uses)</u>					
Special Assessment Bonds Issued	0	0	0	102,000	102,000
Premium on Bonds Issued	0	0	0	6,120	6,120
Transfers In	0	42,696	596,056	2,042,117	2,680,869
Transfers Out	(1,335,253)	0	(501,181)	(793,039)	(2,629,473)
Total Other Financing Sources (Uses)	(1,335,253)	42,696	94,875	1,357,198	159,516
Net Change in Fund Balance	(499,998)	(78,680)	(3,826,740)	384,162	(4,021,256)
Fund Balance Beginning of Year - Note 3	3,814,040	296,035	5,726,259	7,540,203	17,376,537
Fund Balance End of Year	\$3,314,042	\$217,355	\$1,899,519	\$7,924,365	\$13,355,281

See Accompanying Notes to the Basic Financial Statements

City of Sandusky
 Reconciliation of Statement of Revenues, Expenditures,
 and Changes in Fund Balance
 of Governmental Funds to Statement of Activities
 For the Year Ended December 31, 2002

Net Change in Fund Balance - Total Governmental Funds (\$4,021,256)

Amounts reported for governmental activities on the statement of activities are different because of the following:

Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year.

Capital Outlay - Depreciable Capital Assets	4,391,010	
Depreciation	<u>(2,163,263)</u>	
		2,227,747

Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds.

Property Taxes	9,425	
Municipal Income Taxes	503,250	
Other Local Taxes	95,396	
Special Assessments	(425,928)	
Charges for Services	(65,364)	
Fees, Licenses, and Permits	54,539	
Fine and Forfeitures	(1,834)	
Intergovernmental	(138,295)	
Interest	(122,692)	
Other	<u>(5,790)</u>	
		(97,293)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.

General Obligation Bonds Payable	429,867	
OWDA Loans Payable	51,066	
Special Assessment Bonds Payable	<u>312,273</u>	
		793,206

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of net assets. 13,446

Some expenses reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Due to Other Governments	1,966	
Compensated Absences Payable	<u>(181,779)</u>	
		<u>(179,813)</u>

Bond proceeds and premiums are other financing sources in the governmental funds, but the issuance increases the long-term liabilities on the statement of net assets.

Special Assessment Bonds Issued	(102,000)	
Premium on Bonds Issued	<u>(6,120)</u>	
		<u>(108,120)</u>

Change in Net Assets of Governmental Activities (\$1,372,083)

See Accompanying Notes to the Basic Financial Statements

City of Sandusky
Statement of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
General Fund
For the Year Ended December 31, 2002

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
<u>Revenues</u>				
Property Taxes	\$1,604,676	\$1,604,676	\$1,493,763	(\$110,913)
Municipal Income Taxes	7,045,029	6,979,545	6,897,495	(82,050)
Other Local Taxes	3,710,930	3,424,570	3,459,336	34,766
Charges for Services	317,934	284,116	303,842	19,726
Fees, Licenses, and Permits	856,202	525,564	524,388	(1,176)
Fines and Forfeitures	738,842	818,627	930,064	111,437
Intergovernmental	1,361,506	1,247,629	1,502,471	254,842
Interest	1,000,000	600,000	378,985	(221,015)
Other	281,574	191,919	219,657	27,738
Total Revenues	16,916,693	15,676,646	15,710,001	33,355
<u>Expenditures</u>				
Current:				
Security of Persons and Property				
Police	4,340,844	4,310,736	4,120,688	190,048
Fire	3,622,143	3,636,583	3,629,657	6,926
Other	100,000	116,000	110,953	5,047
Public Health	274,960	274,990	269,186	5,804
Community Environment	1,910,320	1,932,419	1,875,150	57,269
General Government				
Municipal Court	829,368	829,490	803,018	26,472
Other	3,446,688	3,868,130	3,669,055	199,075
Total Expenditures	14,524,323	14,968,348	14,477,707	490,641
Excess of Revenues Over Expenditures	2,392,370	708,298	1,232,294	523,996
<u>Other Financing Sources (Uses)</u>				
Other Financing Sources	209,529	135,630	225,111	89,481
Transfers Out	(1,533,565)	(1,357,422)	(1,335,253)	22,169
Total Other Financing Sources (Uses)	(1,324,036)	(1,221,792)	(1,110,142)	111,650
Net Change in Fund Balance	1,068,334	(513,494)	122,152	635,646
Fund Balance Beginning of Year	2,943,714	2,943,714	2,943,714	0
Prior Year Encumbrances Appropriated	97,441	97,441	97,441	0
Fund Balance End of Year	\$4,109,489	\$2,527,661	\$3,163,307	\$635,646

See Accompanying Notes to the Basic Financial Statements

City of Sandusky
Statement of Fund Net Assets
Enterprise Funds
December 31, 2002

	Water	Sewer	Total
<u>Assets</u>			
<u>Current Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$5,029,782	\$2,732,821	\$7,762,603
Accounts Receivable	311,664	682,654	994,318
Due from Other Governments	232,483	52,779	285,262
Prepaid Items	20,149	1,590	21,739
Materials and Supplies Inventory	327,223	64,846	392,069
Total Current Assets	<u>5,921,301</u>	<u>3,534,690</u>	<u>9,455,991</u>
<u>Non-Current Assets</u>			
Unamortized Bond Issuance Costs	36,912	0	36,912
Nondepreciable Capital Assets	1,982,753	6,160,126	8,142,879
Depreciable Capital Assets, Net	4,671,663	14,387,302	19,058,965
Total Non-Current Assets	<u>6,691,328</u>	<u>20,547,428</u>	<u>27,238,756</u>
Total Assets	<u>12,612,629</u>	<u>24,082,118</u>	<u>36,694,747</u>
<u>Liabilities</u>			
<u>Current Liabilities</u>			
Accrued Wages Payable	54,305	57,022	111,327
Accounts Payable	23,828	30,360	54,188
Contracts Payable	96,250	65,085	161,335
Compensated Absences Payable	80,512	95,447	175,959
Due to Other Governments	72,467	76,016	148,483
Accrued Interest Payable	48,563	389,293	437,856
Notes Payable	211,000	2,031,360	2,242,360
Retainage Payable	0	1,040	1,040
General Obligation Revenue Bonds Payable	200,000	47,000	247,000
OWDA Loans Payable	57,186	56,498	113,684
Total Current Liabilities	<u>844,111</u>	<u>2,849,121</u>	<u>3,693,232</u>
<u>Non-Current Liabilities</u>			
General Obligation Revenue Bonds Payable	1,036,912	400,000	1,436,912
OWDA Loans Payable	1,428,402	13,994,885	15,423,287
Compensated Absences Payable	222,658	160,443	383,101
Total Non-Current Liabilities	<u>2,687,972</u>	<u>14,555,328</u>	<u>17,243,300</u>
Total Liabilities	<u>3,532,083</u>	<u>17,404,449</u>	<u>20,936,532</u>
<u>Net Assets</u>			
Invested in Capital Assets, Net of Related Debt	3,757,828	4,017,685	7,775,513
Unrestricted	5,322,718	2,659,984	7,982,702
Total Net Assets	<u>\$9,080,546</u>	<u>\$6,677,669</u>	<u>\$15,758,215</u>

See Accompanying Notes to the Basic Financial Statements

City of Sandusky
Statement of Revenues, Expenses,
and Changes in Fund Net Assets
Enterprise Funds
For the Year Ended December 31, 2002

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<u>Operating Revenues</u>			
Charges for Services	\$5,375,558	\$5,832,837	\$11,208,395
Other	17,188	54,885	72,073
Total Operating Revenues	<u>5,392,746</u>	<u>5,887,722</u>	<u>11,280,468</u>
<u>Operating Expenses</u>			
Personal Services	2,132,779	2,232,511	4,365,290
Travel and Transportation	15,742	19,975	35,717
Contractual Services	526,820	986,779	1,513,599
Materials and Supplies	375,394	260,757	636,151
Depreciation	242,979	622,176	865,155
Other	1,038	4,868	5,906
Total Operating Expenses	<u>3,294,752</u>	<u>4,127,066</u>	<u>7,421,818</u>
Operating Income	<u>2,097,994</u>	<u>1,760,656</u>	<u>3,858,650</u>
<u>Non-Operating Revenues (Expenses)</u>			
Loss on Disposal of Capital Assets	0	(54,376)	(54,376)
Interest Revenue	92	210	302
Interest Expense	(211,538)	(925,421)	(1,136,959)
Total Non-Operating Revenues (Expenses)	<u>(211,446)</u>	<u>(979,587)</u>	<u>(1,191,033)</u>
Income before Transfers	1,886,548	781,069	2,667,617
Transfers Out	<u>0</u>	<u>(51,396)</u>	<u>(51,396)</u>
Change in Net Assets	1,886,548	729,673	2,616,221
Net Assets Beginning of Year - Note 3	<u>7,193,998</u>	<u>5,947,996</u>	<u>13,141,994</u>
Net Assets End of Year	<u>\$9,080,546</u>	<u>\$6,677,669</u>	<u>\$15,758,215</u>

See Accompanying Notes to the Basic Financial Statements

City of Sandusky
Statement of Cash Flows
Enterprise Funds
For the Year Ended December 31, 2002

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Increases (Decreases) in Cash and Cash Equivalents			
<u>Cash Flows from Operating Activities</u>			
Cash Received from Customers	\$5,245,982	\$5,651,547	\$10,897,529
Cash Payments for Personal Services	(2,070,697)	(2,250,726)	(4,321,423)
Cash Payments for Contractual Services	(518,398)	(1,204,560)	(1,722,958)
Cash Payments to Vendors	(334,067)	(349,266)	(683,333)
Cash Received from Other Revenues	17,188	54,885	72,073
Cash Payments for Other Expenses	(1,038)	(4,868)	(5,906)
Net Cash Provided by Operating Activities	<u>2,338,970</u>	<u>1,897,012</u>	<u>4,235,982</u>
<u>Cash Flows from Noncapital Financing Activities</u>			
Transfers Out	<u>0</u>	<u>(51,396)</u>	<u>(51,396)</u>
<u>Cash Flows from Capital and Related Financing Activities</u>			
Principal Paid on Bond Anticipation Notes	(227,000)	(2,208,000)	(2,435,000)
Principal Paid on General Obligation Revenue Bonds	(920,000)	(46,000)	(966,000)
Principal Paid on OWDA Loans	(794,901)	(1,595,590)	(2,390,491)
Interest Paid on Bond Anticipation Notes	(6,810)	(66,240)	(73,050)
Interest Paid on General Obligation Revenue Bonds	(97,253)	(27,188)	(124,441)
Interest Paid on OWDA Loans	(120,592)	(606,829)	(727,421)
Notes Issued	211,000	2,031,360	2,242,360
General Obligation Bonds Issued	720,000	0	720,000
OWDA Loans Issued	1,443,411	8,431,050	9,874,461
Premium on General Obligation Bonds Issued	44,112	0	44,112
Acquisition of Fixed Assets	(848,762)	(6,810,075)	(7,658,837)
Net Cash Used for Capital and Related Financing Activities	<u>(596,795)</u>	<u>(897,512)</u>	<u>(1,494,307)</u>
<u>Cash Flows from Investing Activities</u>			
Interest	<u>92</u>	<u>210</u>	<u>302</u>
Net Increase in Cash and Cash Equivalents	1,742,267	948,314	2,690,581
Cash and Cash Equivalents Beginning of Year	<u>3,287,515</u>	<u>1,784,507</u>	<u>5,072,022</u>
Cash and Cash Equivalents End of Year	<u>\$5,029,782</u>	<u>\$2,732,821</u>	<u>\$7,762,603</u>

(continued)

City of Sandusky
Statement of Cash Flows
Enterprise Funds
For the Year Ended December 31, 2002
(continued)

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<u>Reconciliation of Operating Income to Net</u>			
<u>Cash Provided by Operating Activities</u>			
Operating Income	\$2,097,994	\$1,760,656	\$3,858,650
<u>Adjustments to Reconcile Operating Income to Net</u>			
<u>Cash Provided by Operating Activities</u>			
Depreciation	242,979	622,176	865,155
Changes in Assets and Liabilities:			
Increase in Accounts Receivable	(49,848)	(185,998)	(235,846)
(Increase) Decrease in Due from Other Governments	(79,728)	4,708	(75,020)
Decrease in Prepaid Items	10,828	24,043	34,871
(Increase) Decrease in Materials and Supplies Inventory	(32,353)	2,417	(29,936)
Increase in Accrued Wages Payable	8,848	7,733	16,581
Decrease in Accounts Payable	(9,183)	(177,561)	(186,744)
Increase (Decrease) in Contracts Payable	95,488	(102,055)	(6,567)
Increase in Due to Other Governments	11,118	11,455	22,573
Decrease in Retainage Payable	0	(33,461)	(33,461)
Increase (Decrease) in Compensated Absences Payable	42,827	(37,101)	5,726
Net Cash Provided by Operating Activities	<u>\$2,338,970</u>	<u>\$1,897,012</u>	<u>\$4,235,982</u>

See Accompanying Notes to the Basic Financial Statements

City of Sandusky
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2002

<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	<u>\$187,615</u>
 <u>Liabilities</u>	
Due to Other Governments	\$41,247
Undistributed Assets	<u>146,368</u>
 Total Liabilities	 <u>\$187,615</u>

See Accompanying Notes to the Basic Financial Statements

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

NOTE 1 - DESCRIPTION OF THE CITY OF SANDUSKY AND THE REPORTING ENTITY

A. The City

The City of Sandusky is a charter municipal corporation founded in 1818, with the charter adopted by the electors on July 28, 1914. The City may exercise all powers of home rule granted under Article XVIII, Section 3, of the Ohio Constitution not in conflict with applicable general laws of Ohio.

The City operates under a part-time seven member commission and full-time city manager form of government. Services provided include police, fire, ambulance, municipal court, engineering, planning and zoning, street maintenance and repair, public transit, parks and recreation programs (including the first wave action pool in Ohio and a municipal golf course), cemetery, water filtration, wastewater treatment, and general administrative services. Except for water and sewer, major utilities are provided by private entities.

B. Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards, and agencies that are not legally separate from the City. For the City of Sandusky, this includes the Sandusky Municipal Court and all departments and activities that are directly operated by the elected City officials.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the issuance of debt, or the levying of taxes. There were no component units of the City of Sandusky in 2002.

The City of Sandusky is associated with the Buckeye Ohio Risk Management Agency (BORMA), a public entity shared risk pool. This organization is presented in Note 21 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Sandusky have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City 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 to its enterprise funds provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the City's accounting policies.

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation

The City's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental in nature and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the City.

Fund Financial Statements

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The City 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. The funds of the City are reported in three categories: governmental, proprietary, and fiduciary.

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Funds

Governmental funds are those through which most governmental functions of the City are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

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

Special Assessment Bond Retirement Fund - This fund accounts for special assessment monies received for the payment of principal, interest, and fiscal charges on special assessment debt.

Capital Projects Fund - This fund accounts for monies received from construction grants, proceeds of bonds and notes, donations, and transfers used for capital projects.

The other governmental funds of the City account for grants and other resources whose use is restricted for a particular purpose.

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds:

Water Fund - This fund accounts for operations of the water distribution system within the City and for the sale of water to Erie County.

Sewer Fund - This fund accounts for operations of the sewer collection system within the City and for the sale of sewer service to Erie 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 City under a trust agreement for individuals, private organizations, or other governments and are not available to support the City's own programs. The City did not have any trust funds in 2002. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency funds account for various funds held for final disposition to the Erie County Law Library, contractors, municipal courts (excluding the City of Sandusky), and employee payroll deductions.

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net assets. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the fund financial statements for governmental funds.

Like the government-wide financial statements, the enterprise funds are accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of fund net assets. The statement of revenues, expenses, and changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows reflects how the City finances and meets the cash flow needs of its enterprise activities.

D. Basis of Accounting

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

Revenues - Exchange and Nonexchange Transactions

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

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Deferred Revenues

Deferred revenues arise when assets are recognized before the revenue recognition criteria have been satisfied.

Property taxes for which there was an enforceable legal claim at December 31, 2002, but were levied to finance 2003 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements were met have also been recorded as deferred revenue.

On governmental fund financial statements, receivables that were not collected within the available period are recorded as deferred revenue.

Expenses/Expenditures

On the accrual basis, 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 Process

All funds, except agency funds, are required to be budgeted and appropriated. The major documents prepared are the certificate of estimated resources and the appropriations resolution, both of which are prepared on the budgetary basis of accounting. The certificate of estimated resources establishes a limit on the amount the City Commission may appropriate. The appropriations resolution is the City Commission's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the City Commission. The legal level of control has been established by the City Commission at the fund and department level in the General Fund and at the fund level for all other funds.

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Finance Director. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the City Commission.

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 appropriation 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 City Commission during the year.

F. Cash and Investments

To improve cash management, cash received by the City is pooled and invested. Individual fund integrity is maintained through City records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents”.

During 2002, the City’s investments included federal agency securities, bonds of the City, and Star Ohio. Investments are reported at fair value, which is based on quoted market prices. STAR Ohio is an investment pool, managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s share price, which is the price the investment could be sold for on December 31, 2002.

Interest earnings are allocated to City funds according to State statutes, City Charter, grant requirements, or debt related restrictions. Interest revenue credited to the General Fund during 2002 was \$379,348, which includes \$183,575 assigned from other City funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2002, 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.

H. Inventory

Inventory is presented at cost on a first-in, first-out basis and is expended/expensed when used. Inventory consists of expendable supplies held for consumption.

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Unamortized Issuance Costs/Bond Premium

Issuance costs and bond premiums are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Issuance costs are recorded as deferred charges. Bond premiums are presented as an addition to the face amount of bonds payable.

J. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in governmental funds. General capital assets are reported in the governmental activities column on the government-wide statement of net assets but are not reported on the fund financial statements. Capital assets used by the enterprise funds are reported in both the business-type activities column on 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 reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The City maintains a capitalization threshold of five thousand dollars. 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 enterprise fund capital assets is also capitalized.

All 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 City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

<u>Asset Category</u>	<u>Estimated Lives</u>
Buildings	15-45 years
Improvements Other Than Buildings	7-50 years
Streets	10-50 years
Bridges	50 years
Utility Plant	15-45 years
Water and Sewer Lines	50 years
Equipment	5-20 years

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at year end taking into consideration any limits specified in the City's union contracts or administrative ordinance. The City records a liability for accumulated unused sick leave for all employees with ten or more years of service with the City or any employee who is age fifty or older.

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the enterprise funds are reported on the enterprise 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, compensated absences and contractually required pension contributions that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year.

M. Unamortized Gain/Loss on Refunding

For refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as an addition to or reduction of the face amount of the new debt.

The Water enterprise fund's general obligation revenue bonds refunded outstanding general obligation revenue bonds. These bonds are presented net of an unamortized loss, in the amount of \$7,200. The loss is being amortized over the remaining nine year life of the refunded bonds.

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance 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 constitutional provisions or enabling legislation adopted or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include activities for construction, repair, and maintenance of streets and State highways, the public transit system, recreation, loans to local businesses, and other revenues restricted for use by the municipal court and police department. The City's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Fund Balance Reserves

The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Fund balance reserves have been established for encumbrances and notes receivable.

P. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise funds. For the City, these revenues are charges for services for water and sewer services. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating.

Q. Interfund Transactions

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in enterprise funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence.

S. Estimates

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

NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES, CORRECTION OF AN ERROR, AND RESTATEMENT OF FUND EQUITY

For 2002, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments"; GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus"; GASB Statement No. 38, "Certain Financial Statement Note Disclosures"; and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements".

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002
(continued)

NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES, CORRECTION OF AN ERROR, AND RESTATEMENT OF FUND EQUITY (continued)

GASB Statement No. 34 creates new basic financial statements for reporting on the City's financial activities. The financial statements include government-wide financial statements prepared on the accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

The government-wide financial statements split the City's programs between governmental activities and business-type activities. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at December 31, 2001, caused by the conversion to the full accrual basis of accounting. Except for the restatement explained below, the beginning net asset amount for the business-type activities equals fund equity of the enterprise funds from the prior year.

GASB Statement No. 37 makes certain clarifications regarding escheat property and modifies several provisions of GASB Statement No. 34, including Management's Discussion and Analysis. GASB Statement No. 38 modifies, establishes, and rescinds certain financial statement disclosure requirements.

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

For 2002, the City has increased the threshold amount for capitalizing assets. The threshold amount was increased from \$500 to \$5,000.

The outstanding balance of several Ohio Water Development Authority loans were misstated in the prior year. These amounts were corrected when accurate amounts were received from the Ohio Water Development Authority.

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002
(continued)

NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES, CORRECTION OF AN ERROR, AND RESTATEMENT OF FUND EQUITY (continued)

The restatement due to the implementation of the above statements and interpretation had the following effects on fund equity of the major and nonmajor funds of the City as they were previously reported.

	General	Special Assessment Bond Retirement	Capital Projects	Other Governmental	Total Governmental Activities
Fund Balance December 31, 2001	\$3,784,539	\$296,035	\$5,726,259	\$7,537,424	\$17,344,257
Interpretation 6 Adjustments:					
Compensated Absences	29,501	0	0	2,779	32,280
Adjusted Fund Balance	<u>\$3,814,040</u>	<u>\$296,035</u>	<u>\$5,726,259</u>	<u>\$7,540,203</u>	17,376,537
GASB Statement No. 34 Adjustments:					
Property Taxes					154,559
Municipal Income Taxes					2,380,976
Other Local Taxes					(95,396)
Special Assessments					3,377,549
Charges for Services					414,883
Fines and Forfeitures					21,908
Intergovernmental					1,243,384
Interest					204,610
Other					5,751
Capital Assets					46,711,411
Due to Other Governments					(520,034)
Accrued Interest Payable					(85,466)
Compensated Absences Payable					(1,650,692)
General Obligation Bonds Payable					(19,642,200)
Special Assessment Bonds Payable					(2,991,758)
OWDA Loans Payable					(108,252)
Governmental Activities Net Assets at December 31, 2001					<u>\$46,797,770</u>

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002
(continued)

NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES, CORRECTION OF AN ERROR, AND RESTATEMENT OF FUND EQUITY (continued)

The restatement of the business-type activities:

	Water	Sewer	Total Business-Type Activities
Fund Equity December 31, 2001	\$7,364,193	\$6,500,316	\$13,864,509
Change in Threshold:			
Capital Assets	(252,867)	(273,392)	(526,259)
Accumulated Depreciation	149,663	120,605	270,268
OWDA Loans Payable	(66,991)	(399,533)	(466,524)
Adjusted Net Assets December 31, 2001	\$7,193,998	\$5,947,996	\$13,141,994

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At December 31, 2002, the Parks and Recreational special revenue fund had a deficit fund balance, in the amount of \$744, due to adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances, however, this is done when cash is needed rather than when accruals occur.

The Special Assessment Improvement capital projects fund had a deficit fund balance, in the amount of \$150,442, due to reporting the bond anticipation note liability in the fund receiving the note proceeds. The deficit will be alleviated when the bonds are issued or when the notes are paid.

B. Compliance

For the year ended December 31, 2002, the General Fund had expenditures in excess of appropriations in the traffic and electrical maintenance department, in the amount of \$8,340.

NOTE 5 - 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, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual - for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002
(continued)

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (continued)

2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

Adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis are as follows:

Net Change in Fund Balance	
GAAP Basis	(\$499,998)
<u>Increases (Decreases) Due To</u>	
Revenue Accruals:	
Accrued 2001, Received in Cash 2002	910,954
Accrued 2002, Not Yet Received in Cash	(441,686)
Expenditure Accruals:	
Accrued 2001, Paid in Cash 2002	(511,792)
Accrued 2002, Not Yet Paid in Cash	530,667
Cash Adjustments:	
Unrecorded Activity 2001	72,245
Unrecorded Activity 2002	(62,765)
Prepaid Items	94,189
Materials and Supplies Inventory	106,024
Encumbrances Outstanding at Year End (Budget Basis)	<u>(75,686)</u>
Budget Basis	<u><u>\$122,152</u></u>

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002
(continued)

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

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

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

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Finance Director 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.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio), and
7. Certain bankers' acceptances and commercial paper notes in an amount not to exceed 25 percent of interim monies available for investment at any one time. Bankers' acceptances must mature in two hundred seventy days or less and must be eligible for purchase by the federal reserve system. Commercial paper must be issued by a corporation incorporated under the laws of the United States or any state and must be rated in the highest category by two nationally recognized rating agencies.

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002
(continued)

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

The City may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State as to which there is no default of principal, interest, or coupons; and
3. Obligations of the City.

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Finance Director or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At year end, the City had \$3,815 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

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

At year end, the carrying amount of the City's deposits was \$10,499,305 and the bank balance was \$11,570,339. Of the bank balance, \$667,291 was covered by the federal depository insurance, \$400,000 was insured by surety company bonds, and \$15,503,048 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

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

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002
(continued)

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

	Category 1	Fair Value
Federal National Mortgage Association Notes	\$3,914,048	\$3,914,048
Federal Home Loan Bank Bonds	1,336,065	1,336,065
Federal Home Loan Mortgage Corporation Notes	97,278	97,278
Federal Home Loan Mortgage Corporation Bonds	507,539	507,539
City of Sandusky Bonds	201,814	201,814
	<u>\$6,056,744</u>	<u>6,056,744</u>
STAR Ohio		5,045,358
Total Investments		<u>\$11,102,102</u>

The classification of cash and cash equivalents and investments on the balance sheet/statement of net assets is based on the criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting". A reconciliation between the classification of cash and cash equivalents and investments on the combined financial statements and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$21,605,222	\$0
Cash on Hand	(3,815)	0
Investments:		
Federal National Mortgage Association Notes	(3,914,048)	3,914,048
Federal Home Loan Bank Bonds	(1,336,065)	1,336,065
Federal Home Loan Mortgage Corporation Notes	(97,278)	97,278
Federal Home Loan Mortgage Corporation Bonds	(507,539)	507,539
City of Sandusky Bonds	(201,814)	201,814
STAR Ohio	(5,045,358)	5,045,358
GASB Statement No. 3	<u>\$10,499,305</u>	<u>\$11,102,102</u>

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002
(continued)

NOTE 7 - RECEIVABLES

Receivables at December 31, 2002, consisted of accounts (billings for user charged services, including unbilled utility services); accrued interest; intergovernmental receivables arising from grants, entitlements, and shared revenues; municipal income taxes; other local taxes; property taxes; notes; and special assessments. All receivables are considered collectible within one year, except for notes receivable and special assessments. Notes receivable, in the amount of \$1,626,678, will not be received within one year. Special assessments, in the amount of \$2,231,098, will not be received within one year. At December 31, 2002, the amount of delinquent special assessments was \$500,331.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
Major Funds	
General Fund	
Homestead and Rollback	\$83,203
Local Government	403,551
Local Government Revenue Assistance	61,998
Beer and Liquor Permits	25,441
Estate Tax	65,775
Erie County	28,824
Community Development Block Grant	119,530
Safety Belt Grant	235
Fines and Forfeitures	34,764
Total General Fund	823,321
Capital Projects Fund	
Fees, Licenses, and Permits	9,423
Total Major Funds	832,744
Nonmajor Funds	
Street Maintenance	
Gasoline Tax	234,440
Motor Vehicle License Tax	101,312
Permissive Motor Vehicle License Tax	1,525
Total Street Maintenance	337,277

(continued)

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002
(continued)

NOTE 7 - RECEIVABLES (continued)

Governmental Activities (continued)	Amount
Nonmajor Funds (continued)	
State Highway	
Gasoline Tax	\$19,009
Motor Vehicle License Tax	8,215
Permissive Motor Vehicle License Tax	17
Total State Highway	<u>27,241</u>
Public Transit	
Erie County	66,784
Fire Pension	
Homestead and Rollback	6,839
Police Pension	
Homestead and Rollback	6,839
State Grants	
Housing Grants	62,327
Federal Grants	
COPS	5,507
Indigent Driver Alcohol	
Fees, Licenses, and Permits	7,712
Enforcement and Education	
Fines and Forfeitures	470
Court Computerization	
Fees, Licenses, and Permits	598
General Bond Retirement	
Homestead and Rollback	28,722
Total Nonmajor Funds	<u>550,316</u>
Total Governmental Activities	<u><u>\$1,383,060</u></u>
Business-Type Activities	
Water	
Erie County	\$232,483
Sewer	
Erie County	52,779
Total Business-Type Activities	<u><u>\$285,262</u></u>

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002
(continued)

NOTE 8 - NOTES RECEIVABLE

A summary of the changes in notes receivable during 2002 follows:

	Balance December 31, 2001	New Loans	Repayments	Balance December 31, 2002
Special Revenue Fund				
State Grants				
CDBG	\$637,475	\$0	\$97,381	\$540,094
Revolving Loans	214,195	290,213	67,824	436,584
MICRO - Enterprise Loans	12,361	0	320	12,041
Rehabilitation Revolving Loans	908,397	0	54,701	853,696
	<u>\$1,772,428</u>	<u>\$290,213</u>	<u>\$220,226</u>	<u>1,842,415</u>
Less Allowance for Uncollectible Accounts				38,632
				<u>\$1,803,783</u>

Notes receivable are reduced each year by the amount of loans which have been determined to be uncollectible.

NOTE 9 - MUNICIPAL INCOME TAXES

The City levies and collects an income tax of 1 percent based on all income earned within the City as well as on incomes of residents earned outside the City. Residents of the City are granted a credit of ½ percent for taxes paid to other Ohio municipalities. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

For 2002, income taxes were allocated as follows: 92.75 percent to the General fund for general operations of the City; 6.25 percent to the General Bond Retirement debt service fund to be used for the retirement of general obligation debt; and 1 percent to the Capital Improvement capital projects fund to be used for the capital improvement program.

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002
(continued)

NOTE 10 - PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the City. Real property tax revenues received in 2002 represent the collection of 2001 taxes. Real property taxes were levied in 2002 after October 1, 2002, on the assessed values as of January 1, 2002, the lien date. These taxes will be collected in and are intended to finance 2003 operations. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. All property is required to be revalued every six years. The last revaluation was completed in 2000. Real property taxes are payable annually or 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 real and tangible personal property taxes were levied in 2002 after October 1, 2002, on the assessed values as of December 31, 2001, the lien date. These taxes will be collected in and are intended to finance 2003 operations. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in 2002 (other than public utility property) represent the collection of 2002 taxes. Tangible personal property taxes received in 2002 were levied after October 1, 2001, on the true value as of December 31, 2001. Tangible personal property is currently assessed at 25 percent of true value for equipment and 24 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. The first payment is due April 30, with the remainder payable by September 20.

The County Treasurer collects property taxes on behalf of all taxing districts within the County, including the City of Sandusky. The County Auditor periodically remits to the City its portion of the taxes collected.

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of December 31, 2002, 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 2002 operations.

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

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002
(continued)

NOTE 10 - PROPERTY TAXES (continued)

The full tax rate for all City operations for the year ended December 31, 2002, was \$5.51 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2002 property tax receipts were based are as follows:

Category	Amount
Real Property	\$357,159,460
Public Utility Personal Property	17,532,410
Tangible Personal Property	76,042,536
Total Assessed Value	<u>\$450,734,406</u>

NOTE 11 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2002, was as follows:

	Balance January 1, 2002	Additions	Reductions	Balance December 31, 2002
Governmental Activities:				
Nondepreciable Capital Assets				
Land	\$3,453,284	\$0	\$0	\$3,453,284
Construction in Progress	5,823,758	2,738,263	(3,629,064)	4,932,957
Total Nondepreciable Capital Assets	<u>9,277,042</u>	<u>2,738,263</u>	<u>(3,629,064)</u>	<u>8,386,241</u>
Depreciable Capital Assets				
Buildings	14,211,863	3,890,189	0	18,102,052
Improvements Other than Buildings	8,150,830	216,844	0	8,367,674
Streets	38,651,719	503,859	0	39,155,578
Bridges	229,802	0	0	229,802
Equipment	6,973,515	670,919	0	7,644,434
Total Depreciable Capital Assets	<u>68,217,729</u>	<u>5,281,811</u>	<u>0</u>	<u>73,499,540</u>
Less Accumulated Depreciation for				
Buildings	(3,982,436)	(531,554)	0	(4,513,990)
Improvements Other than Buildings	(4,086,494)	(178,481)	0	(4,264,975)
Streets	(18,767,382)	(973,017)	0	(19,740,399)
Bridges	(41,364)	(4,596)	0	(45,960)
Equipment	(3,905,684)	(475,615)	0	(4,381,299)
Total Accumulated Depreciation	<u>(30,783,360)</u>	<u>(2,163,263)</u>	<u>0</u>	<u>(32,946,623)</u>
Total Depreciable Capital Assets, Net	<u>37,434,369</u>	<u>3,118,548</u>	<u>0</u>	<u>40,552,917</u>
Governmental Activities Capital Assets, Net	<u>\$46,711,411</u>	<u>\$5,856,811</u>	<u>(\$3,629,064)</u>	<u>\$48,939,158</u>

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002
(continued)

NOTE 11 - CAPITAL ASSETS (continued)

	Balance January 1, 2002	Additions	Reductions	Balance December 31, 2002
Business-Type Activities:				
Nondepreciable Capital Assets				
Land	\$378,217	\$54,568	\$0	\$432,785
Construction in Progress	7,960,922	3,031,824	(3,282,652)	7,710,094
Total Nondepreciable Capital Assets	<u>8,339,139</u>	<u>3,086,392</u>	<u>(3,282,652)</u>	<u>8,142,879</u>
Depreciable Capital Assets				
Buildings	\$14,433,848	\$4,630,861	(\$122,096)	\$18,942,613
Improvements Other Than Buildings	3,332,230	142,557	0	3,474,787
Utility Plant	3,300,034	1,552,883	(5,196)	4,847,721
Water and Sewer Lines	12,666,584	1,485,064	0	14,151,648
Equipment	1,979,623	43,732	0	2,023,355
Total Depreciable Capital Assets	<u>35,712,319</u>	<u>7,855,097</u>	<u>(127,292)</u>	<u>43,440,124</u>
Less Accumulated Depreciation for				
Buildings	(12,472,415)	(323,510)	70,318	(12,725,607)
Improvements Other Than Buildings	(1,659,897)	(83,793)	0	(1,743,690)
Utility Plant	(1,198,527)	(174,371)	2,598	(1,370,300)
Water and Sewer Lines	(7,169,629)	(166,473)	0	(7,336,102)
Equipment	(1,088,452)	(117,008)	0	(1,205,460)
Total Accumulated Depreciation	<u>(23,588,920)</u>	<u>(865,155)</u>	<u>72,916</u>	<u>(24,381,159)</u>
Total Depreciable Capital Assets, Net	<u>12,123,399</u>	<u>6,989,942</u>	<u>(54,376)</u>	<u>19,058,965</u>
Business-Type Activities Capital Assets, Net	<u>\$20,462,538</u>	<u>\$10,076,334</u>	<u>(\$3,337,028)</u>	<u>\$27,201,844</u>

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Security of Persons and Property - Police	\$191,590
Security of Persons and Property - Fire	178,070
Public Health	33,917
Leisure Time Activities	117,273
Community Environment	69,100
Transportation	1,236,465
General Government - Municipal Court	14,676
General Government - Other	322,172
Total Depreciation Expense - Governmental Activities	<u>\$2,163,263</u>

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002
(continued)

NOTE 12 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in the Buckeye Ohio Risk Management Agency (BORMA), a public entity shared risk pool among of several cities in Northern Ohio. The City pays monthly premiums for health care coverage for its employees and for property, crime, and liability insurance. BORMA is responsible for the management and operation of the programs. Member cities agree to share in the coverage of losses and pay all premiums necessary for the specified insurance coverage provided under the respective programs. Member cities are subject to supplemental assessments of up to 25 percent of the premiums paid for health insurance during that year and in an amount equal to the annual premiums for property, crime, and liability insurance in the event of deficiencies. Upon withdrawal from BORMA, a participant is responsible for the payment of all liabilities accruing as a result of withdrawal from the respective programs. During 2002, the City contracted with BORMA for the following coverage and deductibles:

Type of Coverage	Coverage	Deductible
Property (building and contents)	\$325,474,280	\$1,000
Extra Expense	1,505,000 occurrence	1,000
Earthquake	21,000,000	1,000
Flood	21,000,000	1,000
Mobile Equipment, Valuable Papers	Various	1,000
General Liability	1,000,000 occurrence 1,000,000 aggregate	0
Employee Benefit Liability	1,000,000	0
Ohio Stop Gap	1,000,000	0
Law Enforcement Professional Liability	1,000,000	0
Employee Dishonesty	1,000,000	1,000
Computer Fraud	500,000	1,000
Money and Securities	1,000,000	1,000
Depositors Forgery	1,000,000	1,000
Auto Fleet Liability	1,000,000	1,000
Auto Uninsured-Underinsured	1,000,000	1,000
Boiler and Machinery	50,000,000	1,000 to 15,000
Public Official Liability	1,000,000 occurrence 1,000,000 aggregate	0 0
Umbrella Liability	9,000,000 occurrence 9,000,000 aggregate	0

There has been no significant reduction in insurance coverage from 2001, and no insurance settlement has exceeded insurance coverage during the last three years.

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002
(continued)

NOTE 12 - RISK MANAGEMENT (continued)

Workers' Compensation coverage is provided by the State of Ohio. The City pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

NOTE 13 - SIGNIFICANT CONTRACTUAL COMMITMENTS

The City has several outstanding contracts for professional services. The following amounts remain on these contracts as of December 31, 2002:

<u>Contract</u>	<u>Remaining Commitment</u>
All-Phase Power and Light	\$6,320
Baker Vehicle Systems	9,900
Bay Mechanical	329,983
Blaze Building	2,066,121
Buckeye Software	2,100
Ed Burdue	8,835
Cedar Bay Construction	7,397,924
Cody Computer	22,000
Dell Computer	7,305
Erie Blacktop	95,947
Feick Contractors	7,625
Fertility Builders	15,610
Finkbeiner Pettis	15,038
Firelands Electric	795,241
ICI Networks	5,000
Intellution	5,827
Michael Kaufman	2,495
Kinzelman Kline	4,388
Leighty	3,000
Malcolm Pirnie	905,056
Montgomery Watson	1,443,750
Mosser Construction	5,672,562
Novell	5,150
Nutting, HC Inc.	79,135

(continued)

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002
(continued)

NOTE 13 - SIGNIFICANT CONTRACTUAL COMMITMENTS (continued)

<u>Contract</u>	<u>Remaining Commitment</u>
Ohio Department of Development	\$9,315
Regent Electric	645,000
Seneca Systems	14,750
Sentry Fence	5,857
Seven Limers	18,535
Gregory Sherman	21,199
Smith Paving	26,015
South Shore Electric	633,130
Suburban Process Piping	676,668
Underground Utilities	17,912
Vulcan Fire Protection	132,045
Wilkes and Co.	274,482
Total	<u><u>\$21,381,220</u></u>

NOTE 14 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

The City contributes to the Ohio Public Employees Retirement System (System), a cost-sharing multiple employer defined benefit pension plan administered by the Ohio Public Employees Retirement Board. The System provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. The System issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations and the City is required to contribute 13.55 percent; 8.55 percent was the portion used to fund pension obligations for 2002. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's contributions to the System for the years ended December 31, 2002, 2001, and 2000, were \$655,065, \$734,333, and \$442,422, respectively; 72 percent has been contributed for 2002 and 100 percent has been contributed for 2001 and 2000. The unpaid contribution for 2002, in the amount of \$180,904, is recorded as a liability.

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002
(continued)

NOTE 14 - DEFINED BENEFIT PENSION PLAN (continued)

B. Ohio Police and Fire Pension Fund

The City contributes to the Ohio Police and Fire Pension Fund (Fund), a cost-sharing multiple employer defined benefit pension plan administered by the Fund's Board of Trustees. The Fund provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by the Ohio State Legislature and by Chapter 742 of the Ohio Revised Code. The Fund issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 19.5 percent for police (11.75 percent was the portion used to fund pension obligations for 2002); and 24 percent for firefighters (16.25 percent was the portion used to fund pension obligations for 2002). Contributions are authorized by State statute. The City's contributions to the Fund for the years ended December 31, 2002, 2001, and 2000, were \$845,885, \$778,971, and \$770,809, respectively; 74 percent has been contributed for 2002 and 100 percent has been contributed for 2001 and 2000. The unpaid contribution for 2002, in the amount of \$222,587, is recorded as a liability.

NOTE 15 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (System) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employers". A portion of each employer's contribution to the System is set aside for the funding of postretirement health care based on authority granted by State statute. The employer contribution rate was 13.55 percent of covered payroll; 5 percent was the portion used to fund health care for 2002.

Benefits are advance funded using the entry age normal cost method. Significant actuarial assumptions include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually, and an additional increase in total payroll of .5 percent to 6.3 percent based on additional pay increases. Health care premiums were assumed to increase 4 percent annually.

OPB are financed through employer contributions and investment earnings. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets.

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002
(continued)

NOTE 15 - POSTEMPLOYMENT BENEFITS (continued)

At December 31, 2002, the total number of benefit recipients eligible for OPB through the System was 402,041. As of December 31, 2001, the actuarial value of net assets available for future OPB payments was \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$16.4 billion and \$4.8 billion, respectively. The City's actual contributions for 2002 which were used to fund OPB were \$383,079.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (Fund) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check, or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of eighteen, whether or not the child is attending school, or under the age of twenty-two if attending school full-time or on a two-thirds basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Fund's Board of Trustees to provide health care coverage and states that health care costs paid from the Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate was 19.5 percent of covered payroll and the firefighter employer contribution rate was 24 percent; 7.75 percent was the portion used to fund health care for 2002. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The number of participants eligible to receive health care benefits as of December 31, 2001, was 13,174 for police and 10,239 for firefighters. The City's actual contributions for 2002 that were used to fund postemployment benefits were \$242,909 for police and \$227,781 for firefighters. The Fund's total health care expenses for the year ended December 31, 2001, (the latest information available), were \$122,298,771, which was net of member contributions of \$6,874,699.

NOTE 16 - COMPENSATED ABSENCES

The criteria for determining vacation and sick leave benefits is derived from negotiated agreements and State laws.

City employees earn and accumulate vacation at varying rates depending on length of service. Current policy credits vacation leave on the employee's anniversary date. Employees are paid for 100 percent of earned unused vacation leave upon termination.

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002
(continued)

NOTE 16 - COMPENSATED ABSENCES (continued)

Sick leave is earned at various rates as defined by City policy and union contracts. Any employee with ten years of service with the City who elects to retire is entitled to receive their accumulated unused sick leave as follows:

	<u>AFCSME</u>	<u>IFA</u>	<u>FOP</u>	<u>Administration</u>
40 hours/week				
Sick hours less than 999	25 %	25 %	25 %	25 %
Sick hours 1,000 - 1,499	30 %	30 %	30 %	30 %
Sick hours 1,500 - 2,199	35 %	35 %	35 %	35 %
Sick hours over 2,200	40 %	40 %	40 %	40 %
52 hours/week				
Sick hours less than 1,299	n/a	25 %	n/a	n/a
Sick hours 1,300 - 1,949	n/a	30 %	n/a	n/a
Sick hours 1,950 - 2,859	n/a	35 %	n/a	n/a
Sick hours over 2,860	n/a	40 %	n/a	n/a

The City also provides for a provision of sick leave payoff in case of death.

NOTE 17 - NOTES PAYABLE

The City's note transactions for the year ended December 31, 2002, were as follows:

	<u>Interest Rate</u>	<u>Balance December 31, 2001</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2002</u>
<u>Governmental Activities</u>					
<u>Bond Anticipation Notes</u>					
Special Revenue Funds					
1997 Various Improvement	4.60%	\$3,400	\$0	\$3,400	\$0

(continued)

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002
(continued)

NOTE 17 - NOTES PAYABLE (continued)

	Interest Rate	Balance December 31, 2001	Additions	Reductions	Balance December 31, 2002
<u>Bond Anticipation Notes</u> (continued)					
Capital Projects Funds					
2001 Various Improvement	3.00%	\$165,000	\$0	\$165,000	\$0
1998 Fire Apparatus	4.55	120,000	0	60,000	60,000
1997 Various Improvement	4.60	74,100	0	74,100	0
2001 Various Improvement	2.04	459,131	0	459,131	0
2001 Various Improvement	2.04	200,869	0	200,869	0
2002 Various Improvement	1.90	0	1,165,000	0	1,165,000
2002 Various Improvement	2.50	0	152,640	0	152,640
Total Capital Projects Funds		1,019,100	1,317,640	959,100	1,377,640
<u>Special Assessment Notes</u>					
Capital Projects Fund					
2001 Various Improvement	3.15	372,000	0	372,000	0
2002 Various Improvement	3.50	0	252,000	0	252,000
Total Special Assessment Notes		372,000	252,000	372,000	252,000
Total Governmental Activities		\$1,394,500	\$1,569,640	\$1,334,500	\$1,629,640
 <u>Business-Type Activities</u>					
<u>Bond Anticipation Notes</u>					
Enterprise Funds					
Water					
2001 Various Improvement	3.00	\$227,000	\$0	\$227,000	\$0
2002 Various Improvement	2.50	0	211,000	0	211,000
Total Water		227,000	211,000	227,000	211,000
Sewer					
2001 Various Improvement	3.00	2,208,000	0	2,208,000	0
2002 Various Improvement	2.50	0	2,031,360	0	2,031,360
Total Sewer		2,208,000	2,031,360	2,208,000	2,031,360
Total Business-Type Activities		2,435,000	2,242,360	2,435,000	2,242,360

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002
(continued)

NOTE 17 - NOTES PAYABLE (continued)

According to Ohio law, notes can be issued in anticipation of bond proceeds and levies, or for up to 50 percent of anticipated revenue collections. The liability for all notes is presented in the fund receiving the proceeds.

The City has issued bond anticipation notes with a maturity of one year which will be reissued until paid in full or until bonds are issued. The special assessment notes are backed by the full faith and credit of the City of Sandusky. In the event that an assessed property owner fails to make payments, the City will be required to pay the related debt.

For governmental activities, the 1998 fire apparatus notes were issued to acquire an aerial ladder fire truck. The 2002 various improvement notes were issued to replace the air conditioning unit at the Municipal Building, road improvements, improving the boat launch ramp, and acquiring a fire pumper truck. The 2002 special assessment notes were issued for sidewalk, curb, and gutter improvements.

For business-type activities, the 2002 various improvement notes were issued for various improvements at the water and sewer treatment facilities.

NOTE 18 - LONG-TERM OBLIGATIONS

The City's long-term obligations activity for the year ended December 31, 2002, was as follows:

	Interest Rate	Balance December 31, 2001	Additions	Reductions	Balance December 31, 2002	Due Within One Year
<u>Governmental Activities</u>						
General Obligation Bonds						
1992 Judgement	5.39%	\$330,000	\$0	\$30,000	\$300,000	\$30,000
2000 City Complex	4.35-6.25	5,995,000	0	10,000	5,985,000	15,000
2001 Library Bonds	3.00	5,985,000	0	200,000	5,785,000	210,000
2001 Police Pension Bonds	3.00	552,098	0	12,790	539,308	12,790
2001 Fire Pension Bonds	3.00	742,902	0	17,210	725,692	17,210
2001 Various Purpose Bonds	3.00	6,037,200	0	159,867	5,877,333	169,867
Total General Obligation Bonds		19,642,200	0	429,867	19,212,333	454,867
Special Assessment Bonds						
Special Assessment Bonds Payable	5.23-9.50	2,991,758	102,000	312,273	2,781,485	284,273
Bond Premium		0	6,120	0	6,120	0
Total Special Assessment Bonds		2,991,758	108,120	312,273	2,787,605	284,273
Other Long-Term Obligations						
OWDA Loans Payable	12.00%	108,252	0	51,066	57,186	57,186
Compensated Absences Payable		1,650,692	267,680	85,901	1,832,471	324,829
Total Other Long-Term Obligations		1,758,944	267,680	136,967	1,889,657	382,015
Total Governmental Activities		\$24,392,902	\$375,800	\$879,107	\$23,889,595	\$1,121,155

(continued)

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002
(continued)

NOTE 18 - LONG-TERM OBLIGATIONS (continued)

	Interest Rate	Balance December 31, 2001	Additions	Reductions	Balance December 31, 2002	Due Within One Year
<u>Business-Type Activities</u>						
General Obligation Revenue Bonds						
1986 Waterworks Improvement	7.38%	\$600,000	\$0	\$120,000	\$480,000	\$120,000
1991 Waterworks Improvement	6.57	800,000	0	800,000	0	0
1992 Water Pollution Control	5.39	493,000	0	46,000	447,000	47,000
		1,893,000	0	966,000	927,000	167,000
2002 Waterworks Improvement-Refunding	4.50	0	720,000	0	720,000	80,000
Bond Premium		0	44,112	0	44,112	0
Accounting Loss		0	0	7,200	(7,200)	0
Total 2002 Waterworks Improvement Refunding		0	764,112	7,200	756,912	80,000
Total General Obligation Revenue Bonds		1,893,000	764,112	973,200	1,683,912	247,000
OWDA Loans						
Water	12.00	837,078	1,443,411	794,901	1,485,588	57,186
Sewer	3.20	7,215,923	8,431,050	1,595,590	14,051,383	56,498
Total OWDA Loans		8,053,001	9,874,461	2,390,491	15,536,971	113,684
Other Long-Term Obligations						
Compensated Absences Payable		553,334	89,728	84,002	559,060	175,959
Total Business-Type Activities		\$10,499,335	\$10,728,301	\$3,447,693	\$17,779,943	\$536,643

1992 Judgement General Obligation Bonds

In 1992, the City issued \$600,000 in unvoted general obligation bonds for judgements against the City. The bonds were issued for a twenty year period with maturity beginning August 1, 1992. The bonds will be paid from the General Bond Retirement debt service fund.

2000 City Complex General Obligation Bonds

In 2000, the City issued \$6,000,000 in unvoted general obligation bonds for the construction of a city service complex. The bonds were issued for a twenty year period with maturity beginning April 12, 2000. The bonds will be paid from the General Bond Retirement debt service fund.

2001 Library Improvement General Obligation Bonds

In 2001, the City issued \$6,340,000 in unvoted general obligation bonds for renovating and improving the City library. The bonds were issued for a twenty year period with maturity beginning May 1, 2001. The bonds will be paid from the General Bond Retirement debt service fund.

The City of Sandusky and the Sandusky Library Association, and Ohio not-for-profit corporation, have entered into a contractual agreement whereby the City issued these bonds for library construction and renovations. As part of the agreement, the City will lease (for zero rent charges or lease payments) the library (real property, including building and improvements) for a period of twenty-five years, or until the bonds are paid off. Upon full payment of the debt, all of the new construction and improvements will become the property of the Sandusky Library Association.

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002
(continued)

NOTE 18 - LONG-TERM OBLIGATIONS (continued)

2001 Police Pension General Obligation Bonds

In 2001, the City issued \$552,098 in unvoted general obligation bonds for pension purposes. The bonds were issued for a twenty-five year period with maturity beginning June 1, 2001. The bonds will be paid from the General Bond Retirement debt service fund.

2001 Fire Pension General Obligation Bonds

In 2001, the City issued \$742,902 in unvoted general obligation bonds for pension purposes. The bonds were issued for a twenty-five year period with maturity beginning June 1, 2001. The bonds will be paid from the General Bond Retirement debt service fund.

2001 Various Purpose General Obligation Bonds

In 2001, the City issued \$6,037,200 in unvoted general obligation bonds for the Downtown Streetscape project, the Lane Street project, the Butler Street capacity project, the Columbus Avenue underpass, the City building project, the Transit building project, the Plaza project, the Fire Station project, and the Remington Avenue project. The bonds were issued for a twenty-five year period with maturity beginning June 1, 2001. The bonds will be paid from the General Bond Retirement debt service fund.

Special Assessment Bonds

The special assessment bonds are backed by the full faith and credit of the City of Sandusky. In the event that an assessed property owner fails to make payments or insufficient amounts are assessed to fund the debt, the City will be required to pay the related debt.

OWDA Loans Payable

The City entered into agreements with the Ohio Water Development Authority for loans for the construction of the Cedar Point Chaussee water line, improvements and replacement of the Cedar Point lift station, construction of a disinfection facility, the preliminary and rehabilitation phases of the combined sewer overflow improvements, flow monitors, sludge digestion system improvements, wastewater planning, sewer rehabilitation, wastewater system modeling, settling tank improvements, wastewater treatment plant expansion, and water plant improvement. OWDA loans will be paid from special assessments and from resources of the water and sewer enterprise funds.

Compensated Absences Payable

The compensated absences liability will be paid from the fund from which the employees' salaries are paid. These funds include the General Fund, and the Water and Sewer enterprise funds.

General Obligation Revenue Bonds

The general obligation revenue bonds are liabilities of the Water and Sewer enterprise funds and pledge their respective revenues for repayment. The bonds also pledge the full faith and credit and taxing ability of the City in the event that the enterprise funds' revenues are not sufficient to meet the principal and interest requirements.

2002 Waterworks Improvement Refunding Bonds

On September 1, 2002, the City issued \$720,000 in waterworks improvement refunding bonds. The bonds were issued for nine years, with interest rates ranging from 4.5 percent to 4.75 percent, to refund \$800,000 in waterworks improvement bonds, with an interest rate of 6.57 percent.

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002
(continued)

NOTE 18 - LONG-TERM OBLIGATIONS (continued)

The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt (accounting loss) of \$7,200. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2011 using the bonds-outstanding method, which approximates the effective interest method. The City completed the current refunding to reduce its total debt service payments over the next nine years by \$66,677 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$53,011. The proceeds from the bonds were used to fully extinguish the old debt on December 1, 2002.

The City's legal debt margin was \$27,707,642 at December 31, 2002.

The Clearwell improvements design, the Wastewater Treatment Plant expansion, the Sludge Digestion System improvements, the Cedar Point lift station, the final Settling Tank improvements, and the rehabilitation phases of the combined sewer overflow improvements projects funded by OWDA loans have not been completed. An amortization schedule for the repayment of the loans will not be available until the projects are completed and, therefore, are not included in the following schedule.

Principal and interest requirements to retire general long-term obligations outstanding at December 31, 2002, were as follows:

Year	General Obligation Bonds		Special Assessment Bonds		OWDA Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2003	\$454,866	\$946,669	\$284,274	\$154,607	\$57,186	\$6,870
2004	469,867	930,872	273,688	137,156	0	0
2005	494,866	913,901	273,689	121,437	0	0
2006	509,867	895,284	268,570	105,652	0	0
2007	524,866	875,284	242,571	90,122	0	0
2008-2012	3,089,333	4,523,045	870,852	262,953	0	0
2013-2017	5,839,334	3,082,491	485,166	76,081	0	0
2018-2022	6,099,334	1,316,661	82,675	8,338	0	0
2023-2026	1,730,000	191,675	0	0	0	0
	<u>\$19,212,333</u>	<u>\$13,675,882</u>	<u>\$2,781,485</u>	<u>\$956,346</u>	<u>\$57,186</u>	<u>\$6,870</u>

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002
(continued)

NOTE 18 - LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire the long-term obligations outstanding at December 31, 2002, from the enterprise funds were as follows:

Year	1986 Waterworks Improvement		1992 Water Pollution Control		2002 Waterworks Improvement Refunding	
	Principal	Interest	Principal	Interest	Principal	Interest
2003	\$120,000	\$35,400	\$47,000	\$24,887	\$80,000	\$41,500
2004	120,000	26,550	47,000	22,444	80,000	29,600
2005	120,000	17,700	47,000	19,952	80,000	26,000
2006	120,000	8,850	47,000	17,415	80,000	22,400
2007	0	0	42,000	14,830	80,000	18,800
2008-2011	0	0	217,000	38,237	320,000	38,000
	<u>\$480,000</u>	<u>\$88,500</u>	<u>\$447,000</u>	<u>\$137,765</u>	<u>\$720,000</u>	<u>\$176,300</u>

Long-term obligations at December 31, 2002, consisted of the following issues:

Long Term Obligations	Term	Percent	Original Issue	Outstanding 12/31/02
General Obligation Bonds				
1992 Judgement	1993-2012	5.39%	\$600,000	\$300,000
2000 City Complex	2000-2020	4.35 to 6.25	6,000,000	5,985,000
2001 Library Bonds	2001-2021	3.00	6,340,000	5,785,000
2001 Police Pension Bonds	2001-2026	3.00	552,098	539,308
2001 Fire Pension Bonds	2001-2026	3.00	742,902	725,692
2001 Various Purpose Bonds	2001-2026	3.00	6,037,200	5,877,333
			<u>\$20,272,200</u>	<u>\$19,212,333</u>
Special Assessment Bonds				
1983 PP Water Improvement	1984-2003	9.50	\$11,710	\$585
1985 PP Water Improvement	1986-2005	9.50	10,645	1,598
1985 PP Water Improvement	1986-2005	9.00	11,720	1,758
1986 PP Street Improvement	1987-2006	7.38	135,688	30,000
1987 Anderson Street	1988-2007	7.00	10,835	2,707
1988 PP Street	1989-2008	7.00	18,500	5,550
1989 PP Street	1989-2009	7.75	136,640	49,000
1990 Street	1990-2010	7.40	87,675	39,000
1991 PP Water	1991-2011	6.75	13,800	6,210

(continued)

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002
(continued)

NOTE 18 - LONG-TERM OBLIGATIONS (continued)

Long Term Obligations	Term	Percent	Original Issue	Outstanding 12/31/02
Special Assessment Bonds (continued)				
1992 PP St. Clair Street	1993-2012	5.39%	\$197,400	\$100,100
1992 PP First Street	1993-2011	5.39	81,650	39,300
1992 PP Water	1993-2011	5.39	69,250	33,600
1995 PP McDonough Street	1995-2015	5.23	2,963	1,871
1995 PP Sidewalk 1992	1995-2003	5.23	120,962	15,122
1995 PP Sidewalk 1993	1995-2005	5.23	122,750	36,825
1995 PP Sidewalk 1994	1995-2005	5.23	149,514	44,857
1995 PP Street	1995-2014	5.23	120,974	76,405
1995 PP Dutch Street	1995-2013	5.23	35,512	21,701
1995 Streetscape	1995-2005	5.23	4,648	1,395
1995 Filmore	1995-2014	5.23	247,677	221,823
1996 Perry Street	1996-2016	5.72	40,000	28,000
1996 Sidewalk 1995	1996-2006	5.72	166,400	66,560
1996 Shoreline Walkway	1996-2006	5.72	13,600	5,441
1996 Perry Street - City Port	1996-2016	5.72	350,000	290,000
1997 Polk Street Improvement	1997-2016	6.00	53,980	40,500
1997 Sidewalk	1997-2007	5.50	175,770	87,910
1998 Sidewalk	1998-2008	4.87	201,000	121,000
1998 PP Street	1998-2008	4.87	48,894	39,050
1998 PP Street	1998-2008	4.87	31,000	24,759
1998 PP Street	1998-2008	4.87	69,106	55,191
1999 Sidewalk	1999-2009	5.50	227,000	158,000
1999 Winnebago	1999-2019	5.50	81,000	69,000
1999 Wilbert	1999-2019	5.50	143,000	122,000
1999 Streetscape	1999-2019	5.50	329,000	281,000
2000 Curb, Sidewalk, and Gutter	2000-2010	6.10	254,000	204,000
2001 Remington	2001-2026	5.86	107,800	102,667
2001 PP Sidewalk	2001-2026	5.86	280,000	255,000
2002 Curb, Sidewalk, and Gutter	2002-2012	4.50	102,000	102,000
			<u>\$4,264,063</u>	<u>\$2,781,485</u>

(continued)

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002
(continued)

NOTE 18 - LONG-TERM OBLIGATIONS (continued)

Long Term Obligations	Term	Percent	Original Issue	Outstanding 12/31/02
OWDA Loans				
1983 Water Construction	1983-2003	12.00%	\$478,463	\$57,186
General Obligation Revenue Bonds				
Water				
1986 Waterworks Improvement	1987-2006	7.38	\$2,400,000	\$480,000
2002 Waterworks Improvement Refunding	2002-2011	4.50-4.75	720,000	720,000
			<u>\$3,120,000</u>	<u>\$1,200,000</u>
Sewer				
1992 Water Pollution Control	1993-2012	5.39	\$885,000	\$447,000
OWDA Loans				
Water				
1983 Water Construction	1983-2003	12.00	478,463	57,186
2003 Water Plant Improvements	2004-2024	5.20	11,839,864	1,428,401
			<u>\$12,318,327</u>	<u>\$1,485,587</u>
Sewer				
1998 Ultraviolet Treatment	2001-2026	5.56	\$2,110,930	\$2,049,337
1999 Sewer Rehabilitation	2001-2025	6.13	350,878	338,099
2000 Sewer Rehabilitation	2001-2026	6.39	713,436	631,263
2000 CSO Flow Monitors	2001-2026	6.39	306,536	301,325
2000 Sludge Digestion System	2001-2026	6.03	1,409,888	1,182,283
2001 Cedar Point Pump Station	2002-2022	5.05	4,393,697	4,393,697
2001 Final Settling Tank Improv	2002-2022	5.05	350,000	256,704
2002 WWTP Expansion	2003-2023	4.65	15,707,168	4,760,788
2001 Wastewater System Model	2002-2007	5.55	137,887	137,887
			<u>\$25,480,420</u>	<u>\$14,051,383</u>

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002
(continued)

NOTE 19 - OPERATING LEASE

Battery Park Marina

In February 1985, the City entered into an operating lease with Sandusky Bay Investment Company, Limited, whereby the Sandusky Bay Investment Company, Limited leased 32.9 acres of land and water for operating and maintaining a park, parking areas, and marina. The basic lease term is for forty years, and the lessee has the option to renew for two additional ten year periods. The lessee is also required to make annual deposits of \$10,000 into a fund held by the City, which is to be used at the discretion of the lessee for routine structural repairs to the marina breakwall, restaurant, and other major repairs as may be needed from time to time. At the termination of the lease, any funds remaining in this account shall be used by the City for structural repairs and maintenance of Battery Park.

The capital assets for governmental activities include the City's investment of \$1,948,680 for land and improvements, \$91,576 for floating docks, and \$4,000 for a picnic shelter. The leaseholder's improvements are not recorded in the capital assets for governmental activities.

For 2002, the City received payments, in the amount of \$20,000. Future annual lease payments to be received are as follows:

Year	Annual Lease Payment	Total Lease for Period
2003-2004	\$20,000	\$40,000
2005-2009	25,000	125,000
2010-2014	25,000	125,000
2015-2024	30,000	300,000
Total minimum future rentals		\$590,000

Beginning in 2000, Sandusky Bay Investment Company, Limited is required to pay additional rents to the City if net income is reported for that year. The additional rent will be a percentage of gross income calculated at the following percentages:

	Percentage of Gross Income
2000-2004	.025%
2005-2009	.05
2010-2014	1.0
2015-2024	2.0

The City did not receive any additional rent in 2002.

City of Sandusky
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002
(continued)

NOTE 20 - INTERFUND TRANSFERS

During 2002, the General Fund made transfers to other governmental funds, in the amount of \$1,335,253 to subsidize various activities in other funds. The Capital Projects capital projects fund made transfers, in the amount of \$32,684, to other governmental funds to fund various capital activities in those funds, and in the amount of \$468,497 to move receipts to debt service funds as debt payments became due. Other governmental funds made transfers, in the amount of \$353,546, to allocate license fees to projects, in the amount of \$233,811, to fund specific capital projects, in the amount of \$86,121, to fund sidewalk, curb, and gutter projects, and in the amount of \$119,561, for economic development projects.

The Sewer enterprise fund transferred \$8,700 to the Capital Projects capital projects fund to pay various costs related to the capital projects and \$42,696 to the Bond Retirement debt service fund to move receipts as debt payments became due.

NOTE 21 - PUBLIC ENTITY SHARED RISK POOL

The Buckeye Ohio Risk Management Agency (BORMA) is a public entity shared risk pool among several cities in Northern Ohio. BORMA was formed as an Ohio not-for-profit corporation and operates a health insurance program and a property, crime, and liability insurance program. Each member appoints one person to represent the City on the board of directors for a term of one year for participation in the health insurance program and three years for participation in the property, crime, and liability insurance program. Each member city's control over the budgeting and financing of BORMA is limited to its voting authority and any representation it may have on the board of directors.

Participation in BORMA is by written application subject to the approval of the board of directors and the payment of premiums. Member cities must remain members for cycles of three years. A member may withdraw from a program by giving a forty day notice prior to the beginning of the next cycle. BORMA does not have any outstanding debt obligations as of December 31, 2002. Financial information may be obtained from Arthur J. Gallagher & Co. - Cleveland, Gallagher Pipino, Inc., M-K Ferguson Plaza, 1500 West Third Street, Suite 405, Cleveland, Ohio 44113

NOTE 22 - CONTINGENT LIABILITIES

A. Litigation

The City of Sandusky is a party to several legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending projects. The City management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

B. Federal and State Grants

For the period January 1, 2002, to December 31, 2002, the City received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such 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 City believes such disallowances, if any, would be immaterial.



**COMBINING STATEMENTS AND
INDIVIDUAL FUND SCHEDULES**

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Nonmajor Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes. Following is a description of the City's nonmajor special revenue funds:

Street Maintenance Fund

To account for state-levied and state-controlled gasoline tax and motor vehicle license fees remitted to the City by state formula and the special \$5 license fee the City is permitted to impose by virtue of Ohio law. Monies are used for street maintenance and repairs.

State Highway Fund

To account for 7.5 percent of the state-levied and state-controlled gasoline tax and motor vehicle license fees remitted to the City by state formula. Monies are used for maintenance and repairs of state highways within the City. State highways represent approximately 10 percent of the roads inside the City limits.

Public Transit Fund

To account for monies received from the federal and state government under the Section 18 Program and from users of the public transit system. Monies are used for operations of the public transit system.

Parks and Recreational Fund

To account for monies collected at the municipal golf course and swimming pool, plant rentals from the greenhouse, and transfers from the General fund (primarily for the parks and greenhouse). Monies are used for operation of the parks, greenhouse, and recreational facilities.

Fire Pension Fund

To account for monies received from property taxes and transfers from the General fund for payment of both the current pension contribution and the long-term accounting liability.

Police Pension Fund

To account for monies received from property taxes and transfers from the General fund for payment of both the current pension contribution and the long-term accounting liability.

State Grants Fund

To account for monies received from the state government under the community development block grant program and the revolving loan program, as well as several other state grants.

Federal Grants Fund

To account for monies received from the federal government for the community oriented police grant (COPS).

(continued)

**Nonmajor Special Revenue Funds
(continued)**

Indigent Drivers Alcohol Fund

To account for monies received under Ohio Revised Code Sections 4511.191(M) and 4507.99(B)(4). This fund provides for payment of the cost for treatment, at a certified alcohol and drug addiction program, of a person convicted of a violation of Ohio Revised Code Section 4511.19 or a similar municipal ordinance.

Enforcement and Education Fund

To account for monies received under Ohio Revised Code Section 4511.99. This fund is used by the police department to pay the costs it incurs in enforcing Ohio Revised Code Section 4511.19 or a similar municipal ordinance, and in educating the public on laws governing the operation of a motor vehicle while under the influence of alcohol.

Court Computerization Fund

To account for fines collected by the municipal court under Ohio Revised Code Section 1901.26. This fund is used for computerization of the clerk of court's office.

Indigent Telephone Fund

To account for monies received under Ohio Revised Code Section 2929.23. This fund provides for payment of the costs of providing house detention for eligible indigent offenders.

Municipal Probation Fund

To account for monies received under Ohio Revised Code Section 737.41. This fund provides for payment of the costs of the municipal probation department.

General Trust Fund

To account for contraband forfeitures and various monies donated to the City.

Park Donations Fund

To account for donations from the Fred G. Epple Estate.

Cemetery Donations Fund

To account for charges for burials and donations.

Nonmajor Debt Service Fund

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

General Bond Retirement

To account for resources that are used for the payment of principal, interest, and fiscal charges on general obligation debt.

Nonmajor Capital Projects Funds

Capital projects funds are used to account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by the enterprise funds.)

Capital Improvement Fund

To account for tax revenues and transfers used for capital improvements.

Redevelopment Tax Increment Fund

To account for payments collected in lieu of taxes.

Special Assessment Improvement Fund

To finance and account for the construction of improvements or provision of services which are to be paid for, wholly or in part, from special assessments levied against the benefitted property owners.

City of Sandusky
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2002

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$5,108,242	\$969,282	\$161,918	\$6,239,442
Accounts Receivable	0	0	266,250	266,250
Accrued Interest Receivable	16,859	0	0	16,859
Due from Other Governments	521,594	28,722	0	550,316
Municipal Income Taxes Receivable	0	181,364	150,486	331,850
Other Local Taxes Receivable	241,966	0	0	241,966
Prepaid Items	1,853	0	0	1,853
Materials and Supplies Inventory	117,916	0	0	117,916
Property Taxes Receivable	264,636	555,738	0	820,374
Notes Receivable	1,803,783	0	0	1,803,783
Total Assets	\$8,076,849	\$1,735,106	\$578,654	\$10,390,609
<u>Liabilities and Fund Balance</u>				
<u>Liabilities</u>				
Accrued Wages Payable	\$29,193	\$0	\$1,417	\$30,610
Accounts Payable	91,589	0	0	91,589
Contracts Payable	0	0	33,533	33,533
Due to Other Governments	12,681	0	509	13,190
Accrued Interest Payable	0	0	2,377	2,377
Notes Payable	0	0	252,000	252,000
Retainage Payable	0	0	2,925	2,925
Deferred Revenue	864,834	764,724	410,462	2,040,020
Total Liabilities	998,297	764,724	703,223	2,466,244
<u>Fund Balance</u>				
Reserved for Encumbrances	51,054	0	29,426	80,480
Reserved for Notes Receivable	1,626,678	0	0	1,626,678
Unreserved, Reported in				
Special Revenue Funds	5,400,820	0	0	5,400,820
Debt Service Fund	0	970,382	0	970,382
Capital Projects Funds (Deficit)	0	0	(153,995)	(153,995)
Total Fund Balance (Deficit)	7,078,552	970,382	(124,569)	7,924,365
Total Liabilities and Fund Balance	\$8,076,849	\$1,735,106	\$578,654	\$10,390,609

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City of Sandusky
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2002

	Street Maintenance	State Highway	Public Transit	Parks and Recreational	Fire Pension
<u>Assets</u>					
Equity in Pooled Cash and Cash Equivalents	\$105,484	\$11,332	\$73,375	\$6,949	\$0
Accrued Interest Receivable	0	0	0	0	0
Due from Other Governments	337,277	27,241	66,784	0	6,839
Other Local Taxes Receivable	241,966	0	0	0	0
Prepaid Items	55	0	0	274	0
Materials and Supplies Inventory	117,916	0	0	0	0
Property Taxes Receivable	0	0	0	0	132,318
Notes Receivable	0	0	0	0	0
Total Assets	<u>\$802,698</u>	<u>\$38,573</u>	<u>\$140,159</u>	<u>\$7,223</u>	<u>\$139,157</u>
<u>Liabilities and Fund Balance</u>					
<u>Liabilities</u>					
Accrued Wages Payable	\$22,325	\$867	\$0	\$4,168	\$0
Accounts Payable	7,697	0	74,522	863	0
Due to Other Governments	6,897	297	0	2,936	0
Deferred Revenue	497,460	23,183	33,843	0	139,157
Total Liabilities	<u>534,379</u>	<u>24,347</u>	<u>108,365</u>	<u>7,967</u>	<u>139,157</u>
<u>Fund Balance</u>					
Reserved for Encumbrances	3,380	0	0	2,305	0
Reserved for Notes Receivable	0	0	0	0	0
Unreserved (Deficit)	264,939	14,226	31,794	(3,049)	0
Total Fund Balance (Deficit)	<u>268,319</u>	<u>14,226</u>	<u>31,794</u>	<u>(744)</u>	<u>0</u>
Total Liabilities and Fund Balance	<u>\$802,698</u>	<u>\$38,573</u>	<u>\$140,159</u>	<u>\$7,223</u>	<u>\$139,157</u>

Police Pension	State Grants	Federal Grants	Indigent Drivers Alcohol	Enforcement and Education	Court Computerization	Indigent Telephone
\$0	\$1,113,719	\$2,465,891	\$81,178	\$86,810	\$87,667	\$27,734
0	0	12,612	0	0	0	0
6,839	62,327	5,507	7,712	470	598	0
0	0	0	0	0	0	0
0	0	0	0	90	0	0
0	0	0	0	0	0	0
132,318	0	0	0	0	0	0
0	1,803,783	0	0	0	0	0
<u>\$139,157</u>	<u>\$2,979,829</u>	<u>\$2,484,010</u>	<u>\$88,890</u>	<u>\$87,370</u>	<u>\$88,265</u>	<u>\$27,734</u>
\$0	\$0	\$0	\$0	\$0	\$0	\$0
0	5,587	0	2,740	0	0	0
0	533	1,297	0	0	0	0
<u>139,157</u>	<u>12,414</u>	<u>18,119</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>139,157</u>	<u>18,534</u>	<u>19,416</u>	<u>2,740</u>	<u>0</u>	<u>0</u>	<u>0</u>
0	29,243	0	0	0	0	0
0	1,626,678	0	0	0	0	0
0	1,305,374	2,464,594	86,150	87,370	88,265	27,734
<u>0</u>	<u>2,961,295</u>	<u>2,464,594</u>	<u>86,150</u>	<u>87,370</u>	<u>88,265</u>	<u>27,734</u>
<u>\$139,157</u>	<u>\$2,979,829</u>	<u>\$2,484,010</u>	<u>\$88,890</u>	<u>\$87,370</u>	<u>\$88,265</u>	<u>\$27,734</u>

(continued)

City of Sandusky
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2002
(continued)

	Municipal Probation	General Trust	Park Donations	Cemetery Donations	Total
<u>Assets</u>					
Equity in Pooled Cash and Cash Equivalents	\$74,310	\$171,638	\$102,949	\$699,206	\$5,108,242
Accrued Interest Receivable	0	0	0	4,247	16,859
Due from Other Governments	0	0	0	0	521,594
Other Local Taxes Receivable	0	0	0	0	241,966
Prepaid Items	0	1,434	0	0	1,853
Materials and Supplies Inventory	0	0	0	0	117,916
Property Taxes Receivable	0	0	0	0	264,636
Notes Receivable	0	0	0	0	1,803,783
Total Assets	<u>\$74,310</u>	<u>\$173,072</u>	<u>\$102,949</u>	<u>\$703,453</u>	<u>\$8,076,849</u>
<u>Liabilities and Fund Balance</u>					
<u>Liabilities</u>					
Accrued Wages Payable	\$0	\$1,833	\$0	\$0	\$29,193
Accounts Payable	0	0	0	180	91,589
Due to Other Governments	0	586	12	123	12,681
Deferred Revenue	0	0	0	1,501	864,834
Total Liabilities	<u>0</u>	<u>2,419</u>	<u>12</u>	<u>1,804</u>	<u>998,297</u>
<u>Fund Balance</u>					
Reserved for Encumbrances	41	5,323	0	10,762	51,054
Reserved for Notes Receivable	0	0	0	0	1,626,678
Unreserved (Deficit)	74,269	165,330	102,937	690,887	5,400,820
Total Fund Balance (Deficit)	<u>74,310</u>	<u>170,653</u>	<u>102,937</u>	<u>701,649</u>	<u>7,078,552</u>
Total Liabilities and Fund Balance	<u>\$74,310</u>	<u>\$173,072</u>	<u>\$102,949</u>	<u>\$703,453</u>	<u>\$8,076,849</u>

City of Sandusky
Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2002

	Capital Improvement	Redevelopment Tax Increment	Special Assessment Improvement	Total
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$0	\$19,599	\$142,319	\$161,918
Accounts Receivable	0	0	266,250	266,250
Municipal Income Taxes Receivable	150,486	0	0	150,486
Total Assets	<u>\$150,486</u>	<u>\$19,599</u>	<u>\$408,569</u>	<u>\$578,654</u>
<u>Liabilities and Fund Balance</u>				
<u>Liabilities</u>				
Accrued Wages Payable	\$0	\$0	\$1,417	\$1,417
Contracts Payable	0	0	33,533	33,533
Due to Other Governments	0	0	509	509
Accrued Interest Payable	0	0	2,377	2,377
Notes Payable	0	0	252,000	252,000
Retainage Payable	0	0	2,925	2,925
Deferred Revenue	144,212	0	266,250	410,462
Total Liabilities	<u>144,212</u>	<u>0</u>	<u>559,011</u>	<u>703,223</u>
<u>Fund Balance</u>				
Reserved for Encumbrances	0	0	29,426	29,426
Unreserved (Deficit)	6,274	19,599	(179,868)	(153,995)
Total Fund Balance (Deficit)	<u>6,274</u>	<u>19,599</u>	<u>(150,442)</u>	<u>(124,569)</u>
Total Liabilities and Fund Balance	<u>\$150,486</u>	<u>\$19,599</u>	<u>\$408,569</u>	<u>\$578,654</u>



City of Sandusky
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2002

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
<u>Revenues</u>				
Property Taxes	\$245,551	\$508,346	\$0	\$753,897
Payment in Lieu of Taxes	0	0	19,286	19,286
Municipal Income Taxes	0	393,007	42,580	435,587
Other Local Taxes	485,950	0	0	485,950
Special Assessments	0	0	122,017	122,017
Charges for Services	1,104,516	0	150,709	1,255,225
Fees, Licenses, and Permits	33,839	0	0	33,839
Fines and Forfeitures	76,064	0	0	76,064
Intergovernmental	2,046,430	62,957	0	2,109,387
Interest	258,171	0	26,231	284,402
Other	154,823	35	71,500	226,358
Total Revenues	<u>4,405,344</u>	<u>964,345</u>	<u>432,323</u>	<u>5,802,012</u>
<u>Expenditures</u>				
Current:				
Security of Persons and Property				
Police	663,837	0	0	663,837
Fire	682,713	0	0	682,713
Public Health	50,234	0	0	50,234
Leisure Time Activities	562,636	0	0	562,636
Community Environment	633,214	0	0	633,214
Transportation	2,264,383	0	0	2,264,383
Other	54,504	0	0	54,504
Capital Outlay	0	0	439,678	439,678
Debt Service:				
Principal Retirement	30,000	399,867	0	429,867
Interest and Fiscal Charges	59,932	910,260	17,670	987,862
Issuance Costs	0	0	6,120	6,120
Total Expenditures	<u>5,001,453</u>	<u>1,310,127</u>	<u>463,468</u>	<u>6,775,048</u>
Excess of Revenues Under Expenditures	<u>(596,109)</u>	<u>(345,782)</u>	<u>(31,145)</u>	<u>(973,036)</u>
<u>Other Financing Sources (Uses)</u>				
Special Assessment Bonds Issued	0	0	102,000	102,000
Premium on Bonds Issued	0	0	6,120	6,120
Transfers In	1,214,128	119,561	708,428	2,042,117
Transfers Out	(473,107)	0	(319,932)	(793,039)
Total Other Financing Sources (Uses)	<u>741,021</u>	<u>119,561</u>	<u>496,616</u>	<u>1,357,198</u>
Net Change in Fund Balance	144,912	(226,221)	465,471	384,162
Fund Balance (Deficit) Beginning of Year	<u>6,933,640</u>	<u>1,196,603</u>	<u>(590,040)</u>	<u>7,540,203</u>
Fund Balance (Deficit) End of Year	<u>\$7,078,552</u>	<u>\$970,382</u>	<u>(\$124,569)</u>	<u>\$7,924,365</u>

City of Sandusky
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2002

	Street Maintenance	State Highway	Public Transit	Parks and Recreational	Fire Pension
<u>Revenues</u>					
Property Taxes	\$0	\$0	\$0	\$0	\$122,775
Other Local Taxes	485,950	0	0	0	0
Charges for Services	0	0	725,638	355,775	0
Fees, Licenses, and Permits	0	0	0	0	0
Fines and Forfeitures	0	0	0	0	0
Intergovernmental	673,324	54,593	356,842	0	14,989
Interest	2,916	34	0	0	0
Other	9,287	673	0	13,408	0
Total Revenues	1,171,477	55,300	1,082,480	369,183	137,764
<u>Expenditures</u>					
Current:					
Security of Persons and Property					
Police	0	0	0	0	0
Fire	0	0	0	0	682,713
Public Health	0	0	0	0	0
Leisure Time Activities	0	0	0	553,934	0
Community Environment	0	0	0	0	0
Transportation	1,107,845	41,339	1,115,199	0	0
General Government	0	0	0	0	0
Other	0	0	0	0	0
Debt Service:					
Principal Retirement	0	0	0	0	17,210
Interest and Fiscal Charges	0	0	0	0	34,518
Total Expenditures	1,107,845	41,339	1,115,199	553,934	734,441
Excess of Revenues Over (Under) Expenditures	63,632	13,961	(32,719)	(184,751)	(596,677)
<u>Other Financing Sources (Uses)</u>					
Transfers In	8,058	0	0	183,482	595,689
Transfers Out	(353,546)	0	0	0	0
Total Other Financing Sources (Uses)	(345,488)	0	0	183,482	595,689
Net Change in Fund Balance	(281,856)	13,961	(32,719)	(1,269)	(988)
Fund Balance Beginning of Year	550,175	265	64,513	525	988
Fund Balance (Deficit) End of Year	\$268,319	\$14,226	\$31,794	(\$744)	\$0

Police Pension	State Grants	Federal Grants	Indigent Drivers Alcohol	Enforcement and Education	Court Computerization	Indigent Telephone
\$122,776	\$0	\$0	\$0	\$0	\$0	\$0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	18,787	0	0	2,078
0	0	0	0	9,489	36,103	0
14,989	859,199	55,739	16,755	0	0	0
0	57,081	172,574	0	0	0	0
0	25	0	0	0	0	0
<u>137,765</u>	<u>916,305</u>	<u>228,313</u>	<u>35,542</u>	<u>9,489</u>	<u>36,103</u>	<u>2,078</u>
527,592	0	124,257	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	556,189	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	27,121	660	17,834	266
12,790	0	0	0	0	0	0
25,269	0	0	0	0	0	0
<u>565,651</u>	<u>556,189</u>	<u>124,257</u>	<u>27,121</u>	<u>660</u>	<u>17,834</u>	<u>266</u>
(427,886)	360,116	104,056	8,421	8,829	18,269	1,812
426,899	0	0	0	0	0	0
0	0	(119,561)	0	0	0	0
<u>426,899</u>	<u>0</u>	<u>(119,561)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
(987)	360,116	(15,505)	8,421	8,829	18,269	1,812
987	2,601,179	2,480,099	77,729	78,541	69,996	25,922
<u>\$0</u>	<u>\$2,961,295</u>	<u>\$2,464,594</u>	<u>\$86,150</u>	<u>\$87,370</u>	<u>\$88,265</u>	<u>\$27,734</u>

(continued)

City of Sandusky
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2002
(continued)

	Municipal Probation	General Trust	Park Donations	Cemetery Donations	Total
<u>Revenues</u>					
Property Taxes	\$0	\$0	\$0	\$0	\$245,551
Other Local Taxes	0	0	0	0	485,950
Charges for Services	0	0	0	23,103	1,104,516
Fees, Licenses, and Permits	12,974	0	0	0	33,839
Fines and Forfeitures	0	30,472	0	0	76,064
Intergovernmental	0	0	0	0	2,046,430
Interest	0	0	0	25,566	258,171
Other	0	111,751	1,129	18,550	154,823
Total Revenues	12,974	142,223	1,129	67,219	4,405,344
<u>Expenditures</u>					
Current:					
Security of Persons and Property					
Police	0	11,988	0	0	663,837
Fire	0	0	0	0	682,713
Public Health	0	0	0	50,234	50,234
Leisure Time Activities	0	8,255	447	0	562,636
Community Environment	0	77,025	0	0	633,214
Transportation	0	0	0	0	2,264,383
General Government	0	0	0	0	0
Other	7,495	0	1,128	0	54,504
Debt Service:					
Principal Retirement	0	0	0	0	30,000
Interest and Fiscal Charges	0	0	0	145	59,932
Total Expenditures	7,495	97,268	1,575	50,379	5,001,453
Excess of Revenues Over (Under) Expenditures	5,479	44,955	(446)	16,840	(596,109)
<u>Other Financing Sources (Uses)</u>					
Transfers In	0	0	0	0	1,214,128
Transfers Out	0	0	0	0	(473,107)
Total Other Financing Sources (Uses)	0	0	0	0	741,021
Net Change in Fund Balance	5,479	44,955	(446)	16,840	144,912
Fund Balance Beginning of Year	68,831	125,698	103,383	684,809	6,933,640
Fund Balance (Deficit) End of Year	\$74,310	\$170,653	\$102,937	\$701,649	\$7,078,552

City of Sandusky
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2002

	Capital Improvement	Redevelopment Tax Increment	Special Assessment Improvement	Total
<u>Revenues</u>				
Payment in Lieu of Taxes	\$0	\$19,286	\$0	\$19,286
Municipal Income Taxes	42,580	0	0	42,580
Special Assessments	0	0	122,017	122,017
Charges for Services	0	0	150,709	150,709
Interest	25,212	0	1,019	26,231
Other	70,000	0	1,500	71,500
Total Revenues	<u>137,792</u>	<u>19,286</u>	<u>275,245</u>	<u>432,323</u>
<u>Expenditures</u>				
Capital Outlay	0	0	439,678	439,678
Debt Service:				
Interest and Fiscal Charges	8,872	0	8,798	17,670
Issuance Costs	0	0	6,120	6,120
Total Expenditures	<u>8,872</u>	<u>0</u>	<u>454,596</u>	<u>463,468</u>
Excess of Revenues Over (Under) Expenditures	<u>128,920</u>	<u>19,286</u>	<u>(179,351)</u>	<u>(31,145)</u>
<u>Other Financing Sources (Uses)</u>				
Special Assessment Bonds Issued	0	0	102,000	102,000
Premium on Bonds Issued	0	0	6,120	6,120
Transfers In	622,307	0	86,121	708,428
Transfers Out	(319,932)	0	0	(319,932)
Total Other Financing Sources (Uses)	<u>302,375</u>	<u>0</u>	<u>194,241</u>	<u>496,616</u>
Net Change in Fund Balance	431,295	19,286	14,890	465,471
Fund Balance (Deficit) Beginning of Year	<u>(425,021)</u>	<u>313</u>	<u>(165,332)</u>	<u>(590,040)</u>
Fund Balance (Deficit) End of Year	<u><u>\$6,274</u></u>	<u><u>\$19,599</u></u>	<u><u>(\$150,442)</u></u>	<u><u>(\$124,569)</u></u>



City of Sandusky
Combining Statements - Fiduciary Funds

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

Agency Funds

State Patrol Transfer Fund

To account for monies deposited with the municipal court pending disposition to the Erie County Law Library and other municipalities.

Guaranteed Deposits Fund

To account for monies deposited by contractors to guarantee the satisfactory completion of a job or project. These monies are returned to the depositor or used to pay any charges after the job or project has been accepted by the engineering department.

Sandusky Municipal Court Fund

To account for bonds and other monies deposited with the municipal court pending final disposition of the various cases and payment to third parties, excluding the City.

BSF Assessment Fund

To account for monies received and distributed pursuant to Ohio Revised Code Sections 3781.102 and 5705.09(F) regarding the building standards fee assessment.

Income Tax Garnishment Fund

To account for monies deposited by the City for garnishing the wages of delinquent income tax accounts. These monies include both uncashed \$1 garnishment checks and the amount available for garnishment checks.

Payroll

To account for monies used for bi-weekly payroll.

Employee Series E Bonds Fund

To account for monies deposited from payroll deductions for the purchase of Series E Bonds for individuals as requested.

Police Temporary Deposit Fund

To account for monies for which the police department has temporary custody due to drug law enforcement or contraband. This money is held on deposit until the court requests the funds.

Section 125 Plan Fund

To account for monies deposited from payroll deductions for medical bills and childcare for individuals.

City of Sandusky
Combining Statement of Assets and Liabilities
Agency Funds
December 31, 2002

	State Patrol Transfer	Guaranteed Deposits	Sandusky Municipal Court	BSF Assessment	Income Tax Garnishment
<u>Assets</u>					
Equity in Pooled Cash and Cash Equivalents	\$3,252	\$12,957	\$117,820	\$161	\$74
<u>Liabilities</u>					
Due to Other Governments	\$0	\$0	\$0	\$0	\$0
Undistributed Assets	3,252	12,957	117,820	161	74
Total Liabilities	\$3,252	\$12,957	\$117,820	\$161	\$74

<u>Payroll</u>	<u>Employee Series E Bonds</u>	<u>Police Temporary Deposit</u>	<u>Section 125 Plan</u>	<u>Total</u>
<u>\$41,247</u>	<u>\$605</u>	<u>\$10,534</u>	<u>\$965</u>	<u>\$187,615</u>
\$41,247	\$0	\$0	\$0	\$41,247
<u>0</u>	<u>605</u>	<u>10,534</u>	<u>965</u>	<u>146,368</u>
<u>\$41,247</u>	<u>\$605</u>	<u>\$10,534</u>	<u>\$965</u>	<u>\$187,615</u>

City of Sandusky
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended December 31, 2002

	Balance December 31, 2001	Additions	Reductions	Balance December 31, 2002
<u>State Patrol Transfer</u>				
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$2,332	\$45,841	\$44,921	\$3,252
<u>Liabilities</u>				
Undistributed Assets	\$2,332	\$45,841	\$44,921	\$3,252
<u>Guaranteed Deposits</u>				
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$55,913	\$11,361	\$54,317	\$12,957
<u>Liabilities</u>				
Undistributed Assets	\$55,913	\$11,361	\$54,317	\$12,957
<u>Sandusky Municipal Court</u>				
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$121,036	\$2,564,181	\$2,567,397	\$117,820
<u>Liabilities</u>				
Undistributed Assets	\$121,036	\$2,564,181	\$2,567,397	\$117,820
<u>BSF Assessment</u>				
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$126	\$1,242	\$1,207	\$161
<u>Liabilities</u>				
Undistributed Assets	\$126	\$1,242	\$1,207	\$161
<u>Income Tax Garnishment</u>				
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$53	\$183	\$162	\$74
<u>Liabilities</u>				
Undistributed Assets	\$53	\$183	\$162	\$74
<u>Payroll</u>				
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$0	\$41,247	\$0	\$41,247
<u>Liabilities</u>				
Due to Other Governments	\$0	\$41,247	\$0	\$41,247
<u>Employee Series E Bonds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$390	\$12,078	\$11,863	\$605
<u>Liabilities</u>				
Undistributed Assets	\$390	\$12,078	\$11,863	\$605

(continued)

City of Sandusky
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended December 31, 2002
(continued)

	Balance December 31, 2001	Additions	Reductions	Balance December 31, 2002
<u>Police Temporary Deposit</u>				
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$11,019	\$29,390	\$29,875	\$10,534
<u>Liabilities</u>				
Undistributed Assets	\$11,019	\$29,390	\$29,875	\$10,534
<u>Section 125 Plan</u>				
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$592	\$13,925	\$13,552	\$965
<u>Liabilities</u>				
Undistributed Assets	\$592	\$13,925	\$13,552	\$965
<u>Total - All Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$191,461	\$2,719,448	\$2,723,294	\$187,615
<u>Liabilities</u>				
Due to Other Governments	\$0	\$41,247	\$0	\$41,247
Undistributed Assets	191,461	2,678,201	2,723,294	146,368
Total Liabilities	\$191,461	\$2,719,448	\$2,723,294	\$187,615



**INDIVIDUAL FUND SCHEDULES
OF REVENUES, EXPENDITURES/EXPENSES,
AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**

City of Sandusky
General Fund

Schedule of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended December 31, 2002

	Original	Budget	Actual	Variance with Final Budget Over (Under)
<u>Revenues</u>				
Property Taxes	\$1,604,676	\$1,604,676	\$1,493,763	(\$110,913)
Municipal Income Taxes	7,045,029	6,979,545	6,897,495	(82,050)
Other Local Taxes	3,710,930	3,424,570	3,459,336	34,766
Charges for Services	317,934	284,116	303,842	19,726
Fees, Licenses, and Permits	856,202	525,564	524,388	(1,176)
Fines and Forfeitures	738,842	818,627	930,064	111,437
Intergovernmental	1,361,506	1,247,629	1,502,471	254,842
Interest	1,000,000	600,000	378,985	(221,015)
Other	281,574	191,919	219,657	27,738
Total Revenues	16,916,693	15,676,646	15,710,001	33,355
<u>Expenditures</u>				
Current:				
Security of Persons and Property-Police				
Police Patrol	3,536,232	3,444,402	3,308,856	135,546
Police Records	652,007	706,203	660,160	46,043
Police Reserve	103,139	110,664	106,465	4,199
Police Marine Patrol	49,466	49,467	45,207	4,260
Total Security of Persons and Property-Police	4,340,844	4,310,736	4,120,688	190,048
Security of Persons and Property-Fire				
Fire Suppression	3,622,143	3,636,583	3,629,657	6,926
Security of Persons and Property-Other				
Street Lighting	100,000	116,000	110,953	5,047
Public Health				
Oakland Cemetery	274,960	274,990	269,186	5,804
Community Environment				
Community Development Planning	711,774	733,586	701,589	31,997
City Wide Economic Development	0	939	939	0
Community Development Building Division	260,781	259,920	249,339	10,581
Horticulture Services	937,765	937,974	923,283	14,691
Total Community Environment	1,910,320	1,932,419	1,875,150	57,269
General Government-Municipal Court				
Municipal Court	358,354	325,931	323,032	2,899
Court - Criminal	471,014	503,559	479,986	23,573
Total General Government-Municipal Court	829,368	829,490	803,018	26,472

(continued)

City of Sandusky
General Fund

Schedule of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended December 31, 2002
(continued)

	Original	Budget	Actual	Variance with Final Budget Over (Under)
General Government-Other				
City Manager	\$99,218	\$98,058	\$91,659	\$6,399
Personnel Labor Relations	247,923	225,440	207,695	17,745
Information Services	39,432	41,752	39,300	2,452
Purchasing	55,476	57,351	54,825	2,526
Finance	197,838	197,838	195,269	2,569
Income Tax	285,400	287,284	271,688	15,596
Data Processing	169,346	121,718	117,941	3,777
Law Director	161,719	135,540	125,354	10,186
Law Prosecution	176,630	187,809	183,306	4,503
City Commission	31,856	46,140	44,376	1,764
City Commission Clerk	64,204	67,199	66,362	837
Municipal Buildings and Lands	616,875	644,796	634,622	10,174
Engineering	417,908	358,967	339,290	19,677
Traffic and Electrical Maintenance	0	1,240	9,580	(8,340)
Mechanic	332,337	331,177	245,755	85,422
Administrative Support	550,526	1,065,821	1,042,033	23,788
	<u>3,446,688</u>	<u>3,868,130</u>	<u>3,669,055</u>	<u>199,075</u>
Total General Government-Other				
Total Expenditures	<u>14,524,323</u>	<u>14,968,348</u>	<u>14,477,707</u>	<u>490,641</u>
Excess of Revenues Over Expenditures	<u>2,392,370</u>	<u>708,298</u>	<u>1,232,294</u>	<u>523,996</u>
<u>Other Financing Sources (Uses)</u>				
Other Financing Sources	209,529	135,630	225,111	89,481
Transfers Out	(1,533,565)	(1,357,422)	(1,335,253)	22,169
Total Other Financing Sources (Uses)	<u>(1,324,036)</u>	<u>(1,221,792)</u>	<u>(1,110,142)</u>	<u>111,650</u>
Net Change in Fund Balance	1,068,334	(513,494)	122,152	635,646
Fund Balance at Beginning of Year	2,943,714	2,943,714	2,943,714	0
Prior Year Encumbrances Appropriated	<u>97,441</u>	<u>97,441</u>	<u>97,441</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$4,109,489</u></u>	<u><u>\$2,527,661</u></u>	<u><u>\$3,163,307</u></u>	<u><u>\$635,646</u></u>

City of Sandusky
Special Assessment Bond Retirement Debt Service Fund

Schedule of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended December 31, 2002

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
<u>Revenues</u>			
Special Assessments	\$442,391	\$432,978	(\$9,413)
<u>Expenditures</u>			
Debt Service:			
Principal Retirement	349,650	349,646	4
Interest and Fiscal Charges	170,351	160,341	10,010
Total Expenditures	520,001	509,987	10,014
Net Change in Fund Balance	(77,610)	(77,009)	601
Fund Balance at Beginning of Year	296,035	296,035	0
Fund Balance at End of Year	<u>\$218,425</u>	<u>\$219,026</u>	<u>\$601</u>

City of Sandusky
Capital Projects Capital Projects Fund

Schedule of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended December 31, 2002

	Budget	Actual	Variance Over (Under)
<u>Revenues</u>			
Special Assessments	\$0	\$7,460	\$7,460
Charges for Services	660,328	365,521	(294,807)
Fees, Licenses, and Permits	0	180,068	180,068
Intergovernmental	129,520	129,520	0
Interest	163,386	119,396	(43,990)
Other	69,234	64,439	(4,795)
Total Revenues	1,022,468	866,404	(156,064)
<u>Expenditures</u>			
Current:			
Security of Persons and Property-Fire			
Fire	430,548	326,159	104,389
Leisure Time Activities			
Dauch Park	156	156	0
Boat Launch Ramp	1,295	1,295	0
Total Leisure Time Activities	1,451	1,451	0
Community Environment			
City Wide Economic Development	6,525	5,671	854
Library	76	76	0
Downtown Revitalization	48,048	48,046	2
Total Community Environment	54,649	53,793	856
Transportation			
West End Grade Separation	4,479	4,479	0
Issue II 2002 Resurfacing	2,302	2,122	180
Issue II 2001 Resurfacing	2,593	2,593	0
5th Street Reconstruction	1,054	1,054	0
Rockwell Street	3,050	3,050	0
Venice/Edgewater Widening	6,080	6,073	7
Shelby Street Parking Lot	4,905	4,855	50
Columbus Ave Bumpouts	2,645	2,600	45
Remington	42	42	0
Total Transportation	27,150	26,868	282
General Government-Municipal Court			
Municipal Court	2,135	2,135	0
General Government-Other			
City Hall	2,026	2,026	0
Court/Law Renovation	1,224	1,214	10
Administrative Support	30,034	0	30,034
Total General Government-Other	33,284	3,240	30,044
Capital Outlay	7,740,185	7,547,616	192,569

(continued)

City of Sandusky
Capital Projects Capital Projects Fund

Schedule of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended December 31, 2002
(continued)

	Budget	Actual	Variance Over (Under)
Debt Service:			
Principal Retirement	\$959,100	\$959,100	\$0
Interest and Fiscal Charges	27,283	27,283	0
Total Debt Service	986,383	986,383	0
Total Expenditures	9,275,785	8,947,645	328,140
Excess of Revenues Under Expenditures	(8,253,317)	(8,081,241)	172,076
<u>Other Financing Sources (Uses)</u>			
Other Financing Sources	48,944	40,619	(8,325)
Proceeds of Notes	1,368,687	1,317,640	(51,047)
Transfers In	616,735	596,056	(20,679)
Transfers Out	(32,684)	(32,684)	0
Total Other Financing Sources (Uses)	2,001,682	1,921,631	(80,051)
Net Change in Fund Balance	(6,251,635)	(6,159,610)	92,025
Fund Balance at Beginning of Year	1,072,830	1,072,830	0
Prior Year Encumbrances Appropriated	5,938,103	5,938,103	0
Fund Balance at End of Year	\$759,298	\$851,323	\$92,025

City of Sandusky
Water Enterprise Fund

Schedule of Revenues, Expenses,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended December 31, 2002

	Budget	Actual	Variance Over (Under)
<u>Revenues</u>			
Charges for Services	\$5,277,076	\$5,245,982	(\$31,094)
Proceeds of Notes	211,000	211,000	0
Proceeds of Bonds	742,463	720,000	(22,463)
Proceeds of OWDA Loans	8,690,436	1,443,411	(7,247,025)
Interest	0	369	369
Other	2,048	39,716	37,668
Total Revenues	14,923,023	7,660,478	(7,262,545)
<u>Expenses</u>			
<u>Personal Services</u>			
Water Office	93,023	90,811	2,212
Waterworks Filtration	960,450	889,529	70,921
Waterworks Distribution	684,697	643,950	40,747
Administrative Support	468,061	447,053	21,008
Total Personal Services	2,206,231	2,071,343	134,888
<u>Travel and Transportation</u>			
Water Office	2,040	563	1,477
Waterworks Filtration	23,601	8,944	14,657
Waterworks Distribution	8,137	1,594	6,543
Administrative Support	5,505	4,753	752
Total Travel and Transportation	39,283	15,854	23,429
<u>Contractual Services</u>			
Water Office	24,212	23,390	822
Waterworks Filtration	394,725	337,232	57,493
Waterworks Distribution	29,480	26,094	3,386
Administrative Support	154,052	136,158	17,894
Total Contractual Services	602,469	522,874	79,595
<u>Materials and Supplies</u>			
Water Office	2,080	993	1,087
Waterworks Filtration	294,849	261,079	33,770
Waterworks Distribution	81,292	62,666	18,626
Administrative Support	34,220	33,660	560
Total Materials and Supplies	412,441	358,398	54,043
<u>Other</u>			
Administrative Support	1,171	1,038	133
<u>Capital Outlay</u>			
Water Office	762	762	0
Waterworks Filtration	11,031	11,029	2
Waterworks Distribution	8,847,316	8,833,941	13,375
Administrative Support	3,552	3,552	0
Total Capital Outlay	8,862,661	8,849,284	13,377

(continued)

City of Sandusky
Water Enterprise Fund

Schedule of Revenues, Expenses,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended December 31, 2002
(continued)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Debt Service:			
Principal Retirement	\$1,198,066	\$1,941,901	(\$743,835)
Interest Expense	182,503	203,348	(20,845)
	<u>1,380,569</u>	<u>2,145,249</u>	<u>(764,680)</u>
Total Debt Service			
	<u>1,380,569</u>	<u>2,145,249</u>	<u>(764,680)</u>
Total Expenses	<u>13,504,825</u>	<u>13,964,040</u>	<u>(459,215)</u>
Net Change in Fund Balance	1,418,198	(6,303,562)	(7,721,760)
Fund Balance at Beginning of Year	3,088,170	3,088,170	0
Prior Year Encumbrances Appropriated	<u>199,345</u>	<u>199,345</u>	<u>0</u>
Fund Balance (Deficit) at End of Year	<u><u>\$4,705,713</u></u>	<u><u>(\$3,016,047)</u></u>	<u><u>(\$7,721,760)</u></u>

City of Sandusky
Sewer Enterprise Fund

Schedule of Revenues, Expenses,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended December 31, 2002

	Budget	Actual	Variance Over (Under)
<u>Revenues</u>			
Charges for Services	\$6,214,048	\$5,651,547	(\$562,501)
Proceeds of Notes	0	2,031,360	2,031,360
Proceeds of OWDA Loans	18,258,695	8,431,050	(9,827,645)
Interest	1,500	210	(1,290)
Grants	471,353	0	(471,353)
Other	2,094,462	54,885	(2,039,577)
Total Revenues	27,040,058	16,169,052	(10,871,006)
<u>Expenses</u>			
Personal Services			
Sewer Office	95,032	92,971	2,061
Water Pollution Control	1,240,621	1,147,533	93,088
Sewer Maintenance	581,053	565,983	15,070
Administrative Support	515,334	447,441	67,893
Total Personal Services	2,432,040	2,253,928	178,112
Travel and Transportation			
Sewer Office	2,040	563	1,477
Water Pollution Control	24,200	10,617	13,583
Sewer Maintenance	8,022	4,506	3,516
Administrative Support	5,505	4,845	660
Total Travel and Transportation	39,767	20,531	19,236
Contractual Services			
Sewer Office	24,399	23,558	841
Water Pollution Control	777,716	747,962	29,754
Sewer Maintenance	133,587	128,504	5,083
Administrative Support	340,716	325,544	15,172
Total Contractual Services	1,276,418	1,225,568	50,850
Materials and Supplies			
Sewer Office	2,229	1,144	1,085
Water Pollution Control	191,879	161,149	30,730
Sewer Maintenance	112,038	90,056	21,982
Administrative Support	33,458	32,933	525
Total Materials and Supplies	339,604	285,282	54,322
Other			
Administrative Support	2,359	4,868	(2,509)

(continued)

City of Sandusky
Sewer Enterprise Fund

Schedule of Revenues, Expenses,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended December 31, 2002
(continued)

	Budget	Actual	Variance Over (Under)
Capital Outlay			
Sewer Office	\$165,488	\$142,756	\$22,732
Water Pollution Control	16,950,792	15,753,949	1,196,843
Sewer Maintenance	428,421	416,759	11,662
Administrative Support	3,552	3,552	0
Other	0	0	0
Total Capital Outlay	<u>17,548,253</u>	<u>16,317,016</u>	<u>1,231,237</u>
Debt Service:			
Principal Retirement	2,485,419	3,863,283	(1,377,864)
Interest Expense	556,236	729,260	(173,024)
Total Debt Service	<u>3,041,655</u>	<u>4,592,543</u>	<u>(1,550,888)</u>
Total Expenses	<u>24,680,096</u>	<u>24,699,736</u>	<u>(19,640)</u>
Excess of Revenues Over (Under) Expenses	2,359,962	(8,530,684)	(10,890,646)
Operating Transfers - Out	<u>(8,700)</u>	<u>(8,700)</u>	<u>0</u>
Net Change in Fund Balance	2,351,262	(8,539,384)	(10,890,646)
Fund Balance (Deficit) at Beginning of Year	(3,943,324)	(3,943,324)	0
Prior Year Encumbrances Appropriated	<u>5,727,831</u>	<u>5,727,831</u>	<u>0</u>
Fund Balance (Deficit) at End of Year	<u><u>\$4,135,769</u></u>	<u><u>(\$6,754,877)</u></u>	<u><u>(\$10,890,646)</u></u>

City of Sandusky
Street Maintenance Special Revenue Fund

Schedule of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended December 31, 2002

	Budget	Actual	Variance Over (Under)
<u>Revenues</u>			
Other Local Taxes	\$481,002	\$483,930	\$2,928
Intergovernmental	684,016	673,664	(10,352)
Interest	23,150	3,050	(20,100)
Other	0	3,487	3,487
Total Revenues	<u>1,188,168</u>	<u>1,164,131</u>	<u>(24,037)</u>
<u>Expenditures</u>			
Current:			
Transportation			
Public Works	780,150	713,979	66,171
Traffic and Electrical Maintenance	388,525	354,187	34,338
Street Cleaning, Snow, and Ice Removal	58,505	58,503	2
Administrative Support	57,491	56,869	622
Total Expenditures	<u>1,284,671</u>	<u>1,183,538</u>	<u>101,133</u>
Excess of Revenues Under Expenditures	<u>(96,503)</u>	<u>(19,407)</u>	<u>77,096</u>
<u>Other Financing Sources (Uses)</u>			
Other Financing Sources	0	5,800	5,800
Transfers In	8,058	8,058	0
Transfers Out	(353,546)	(353,546)	0
Total Other Financing Sources (Uses)	<u>(345,488)</u>	<u>(339,688)</u>	<u>5,800</u>
Net Change in Fund Balance	(441,991)	(359,095)	82,896
Fund Balance at Beginning of Year	453,910	453,910	0
Prior Year Encumbrances Appropriated	6,134	6,134	0
Fund Balance at End of Year	<u>\$18,053</u>	<u>\$100,949</u>	<u>\$82,896</u>

City of Sandusky
State Highway Special Revenue Fund

Schedule of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended December 31, 2002

	Budget	Actual	Variance Over (Under)
<u>Revenues</u>			
Intergovernmental	\$55,510	\$54,621	(\$889)
Interest	0	34	34
Total Revenues	<u>55,510</u>	<u>54,655</u>	<u>(855)</u>
<u>Expenditures</u>			
Current:			
Transportation			
Traffic and Electrical Maintenance	1,665	0	1,665
State Highway Maintenance and Repair	55,510	45,825	9,685
Total Expenditures	<u>57,175</u>	<u>45,825</u>	<u>11,350</u>
Excess of Revenues Over (Under) Expenditures	(1,665)	8,830	10,495
<u>Other Financing Sources</u>			
Other Financing Sources	0	673	673
Net Change in Fund Balance	(1,665)	9,503	11,168
Fund Balance at Beginning of Year	0	0	0
Prior Year Encumbrances Appropriated	1,829	1,829	0
Fund Balance at End of Year	<u>\$164</u>	<u>\$11,332</u>	<u>\$11,168</u>

City of Sandusky
Public Transit Special Revenue Fund

Schedule of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended December 31, 2002

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
<u>Revenues</u>			
Charges for Services	\$744,423	\$718,236	(\$26,187)
Intergovernmental	335,755	356,842	21,087
Total Revenues	1,080,178	1,075,078	(5,100)
<u>Expenditures</u>			
Current:			
Transportation			
Public Transit System	1,162,630	1,123,227	39,403
Net Change in Fund Balance	(82,452)	(48,149)	34,303
Fund Balance at Beginning of Year	0	0	0
Prior Year Encumbrances Appropriated	120,818	120,818	0
Fund Balance at End of Year	<u>\$38,366</u>	<u>\$72,669</u>	<u>\$34,303</u>

City of Sandusky
Parks and Recreational Special Revenue Fund

Schedule of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended December 31, 2002

	Budget	Actual	Variance Over (Under)
<u>Revenues</u>			
Charges for Services	\$406,820	\$355,775	(\$51,045)
Other	9,598	6,949	(2,649)
Total Revenues	<u>416,418</u>	<u>362,724</u>	<u>(53,694)</u>
<u>Expenditures</u>			
Current:			
Leisure Time Activities			
Aquatic Center	106,702	101,704	4,998
Mills Creek Golf Course	264,576	254,416	10,160
Recreation	176,090	151,727	24,363
Boat Launch Ramp	46,485	44,065	2,420
Administrative Support	12,899	4,730	8,169
Total Expenditures	<u>606,752</u>	<u>556,642</u>	<u>50,110</u>
Excess of Revenues Under Expenditures	<u>(190,334)</u>	<u>(193,918)</u>	<u>(3,584)</u>
<u>Other Financing Sources</u>			
Other Financing Sources	4,988	6,459	1,471
Transfers In	196,807	183,482	(13,325)
Total Other Financing Sources	<u>201,795</u>	<u>189,941</u>	<u>(11,854)</u>
Net Change in Fund Balance	11,461	(3,977)	(15,438)
Fund Balance at Beginning of Year	0	0	0
Prior Year Encumbrances Appropriated	<u>8,621</u>	<u>8,621</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$20,082</u></u>	<u><u>\$4,644</u></u>	<u><u>(\$15,438)</u></u>

City of Sandusky
Fire Pension Special Revenue Fund

Schedule of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended December 31, 2002

	Budget	Actual	Variance Over (Under)
<u>Revenues</u>			
Property Taxes	\$136,743	\$122,775	(\$13,968)
Intergovernmental	0	14,989	14,989
Total Revenues	136,743	137,764	1,021
<u>Expenditures</u>			
Current:			
Security of Persons and Property-Fire Fire Pension	734,442	734,441	1
Excess of Revenues Under Expenditures	(597,699)	(596,677)	1,022
<u>Other Financing Sources</u>			
Transfers In	596,711	595,689	(1,022)
Net Change in Fund Balance	(988)	(988)	0
Fund Balance at Beginning of Year	988	988	0
Fund Balance at End of Year	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

City of Sandusky
Police Pension Special Revenue Fund

Schedule of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended December 31, 2002

	Budget	Actual	Variance Over (Under)
<u>Revenues</u>			
Property Taxes	\$131,891	\$122,776	(\$9,115)
Intergovernmental	0	14,989	14,989
Total Revenues	131,891	137,765	5,874
<u>Expenditures</u>			
Current:			
Security of Persons and Property-Police			
Police Pension	566,611	565,651	960
Excess of Revenues Under Expenditures	(434,720)	(427,886)	6,834
<u>Other Financing Sources</u>			
Transfers In	434,720	426,899	(7,821)
Net Change in Fund Balance	0	(987)	(987)
Fund Balance at Beginning of Year	987	987	0
Fund Balance at End of Year	<u>\$987</u>	<u>\$0</u>	<u>(\$987)</u>

City of Sandusky
State Grants Special Revenue Fund

Schedule of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended December 31, 2002

	Budget	Actual	Variance Over (Under)
<u>Revenues</u>			
Intergovernmental	\$675,856	\$818,931	\$143,075
Interest	0	57,081	57,081
Other	418,144	220,226	(197,918)
Total Revenues	1,094,000	1,096,238	2,238
<u>Expenditures</u>			
Current:			
Community Environment			
Universal Hiring	16,375	16,375	0
A-C-00-172 CHIP 00-01	411,345	411,193	152
Local Law Enforcement Block 99	10,099	10,080	19
Local Law Enforcement Block 00	19,450	19,450	0
Local Law Enforcement Block 01	8,812	8,812	0
A-F-99-172 CDBP 99-00	1,698	1,319	379
A-F-00-172 CDBP 00-01	176,589	176,587	2
A-F-001-172 CDBP 01-02	86,329	86,324	5
Court Security Grant	2,808	2,808	0
A-E-99-172 LEWCO	3,065	3,065	0
Revolving Loan Rehabilitation	126	120	6
Revolving Loan Economic Development	235,877	175,353	60,524
DRC Probation	57,580	57,541	39
Total Expenditures	1,030,153	969,027	61,126
Excess of Revenues Over Expenditures	63,847	127,211	63,364
<u>Other Financing Sources</u>			
Other Financing Sources	0	25	25
Net Change in Fund Balance	63,847	127,236	63,389
Fund Balance at Beginning of Year	828,317	828,317	0
Prior Year Encumbrances Appropriated	123,923	123,923	0
Fund Balance at End of Year	\$1,016,087	\$1,079,476	\$63,389

City of Sandusky
Federal Grants Special Revenue Fund

Schedule of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended December 31, 2002

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
<u>Revenues</u>			
Intergovernmental	\$29,000	\$55,739	\$26,739
Interest	223,000	200,626	(22,374)
Total Revenues	<u>252,000</u>	<u>256,365</u>	<u>4,365</u>
<u>Expenditures</u>			
Current:			
Security of Persons and Property-Police			
Police Cops Phase I	812	812	0
Police Cops More 97	122,148	122,148	0
Total Expenditures	<u>122,960</u>	<u>122,960</u>	<u>0</u>
Excess of Revenues Over Expenditures	129,040	133,405	4,365
<u>Other Financing Uses</u>			
Transfers Out	<u>(119,561)</u>	<u>(119,561)</u>	<u>0</u>
Net Change in Fund Balance	9,479	13,844	4,365
Fund Balance at Beginning of Year	<u>2,402,287</u>	<u>2,402,287</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$2,411,766</u></u>	<u><u>\$2,416,131</u></u>	<u><u>\$4,365</u></u>

City of Sandusky
Indigent Drivers Alcohol Special Revenue Fund

Schedule of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended December 31, 2002

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
<u>Revenues</u>			
Intergovernmental	\$16,755	\$16,755	\$0
Fees, Licenses, and Permits	10,636	11,988	1,352
Total Revenues	27,391	28,743	1,352
<u>Expenditures</u>			
Current:			
Other			
Indigent Drivers Alcohol	30,600	24,381	6,219
Net Change in Fund Balance	(3,209)	4,362	7,571
Fund Balance at Beginning of Year	75,916	75,916	0
Prior Year Encumbrances Appropriated	900	900	0
Fund Balance at End of Year	<u>\$73,607</u>	<u>\$81,178</u>	<u>\$7,571</u>

City of Sandusky
Enforcement and Education Special Revenue Fund

Schedule of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended December 31, 2002

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
<u>Revenues</u>			
Fines and Forfeitures	\$13,200	\$9,737	(\$3,463)
<u>Expenditures</u>			
Current:			
Other			
Enforcement and Education	<u>13,200</u>	<u>750</u>	<u>12,450</u>
Net Change in Fund Balance	0	8,987	8,987
Fund Balance at Beginning of Year	<u>77,823</u>	<u>77,823</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$77,823</u></u>	<u><u>\$86,810</u></u>	<u><u>\$8,987</u></u>

City of Sandusky
Court Computerization Special Revenue Fund

Schedule of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended December 31, 2002

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
<u>Revenues</u>			
Fines and Forfeitures	\$31,217	\$37,818	\$6,601
<u>Expenditures</u>			
Current:			
Other			
Court Computerization	21,200	17,834	3,366
Net Change in Fund Balance	10,017	19,984	9,967
Fund Balance at Beginning of Year	67,683	67,683	0
Fund Balance at End of Year	<u>\$77,700</u>	<u>\$87,667</u>	<u>\$9,967</u>

City of Sandusky
Indigent Telephone Special Revenue Fund

Schedule of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended December 31, 2002

	Budget	Actual	Variance Over (Under)
<u>Revenues</u>			
Fees, Licenses, and Permits	\$10,200	\$2,140	(\$8,060)
<u>Expenditures</u>			
Current:			
Other			
Indigent Telephone	10,200	266	9,934
Net Change in Fund Balance	0	1,874	1,874
Fund Balance at Beginning of Year	25,860	25,860	0
Fund Balance at End of Year	\$25,860	\$27,734	\$1,874

City of Sandusky
Municipal Probation Special Revenue Fund

Schedule of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended December 31, 2002

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
<u>Revenues</u>			
Fees, Licenses, and Permits	\$25,600	\$14,039	(\$11,561)
<u>Expenditures</u>			
Current:			
Other			
Municipal Probation	<u>19,000</u>	<u>7,536</u>	<u>11,464</u>
Net Change in Fund Balance	6,600	6,503	(97)
Fund Balance at Beginning of Year	<u>67,766</u>	<u>67,766</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$74,366</u></u>	<u><u>\$74,269</u></u>	<u><u>(\$97)</u></u>

City of Sandusky
General Trust Special Revenue Fund

Schedule of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended December 31, 2002

	Budget	Actual	Variance Over (Under)
<u>Revenues</u>			
Fines and Forfeitures	\$30,489	\$30,472	(\$17)
Other	108,654	111,576	2,922
Total Revenues	139,143	142,048	2,905
<u>Expenditures</u>			
Current:			
Security of Persons and Property-Police			
Police Cops More	268	0	268
Police Patrol	6,434	653	5,781
Contraband Trust	17,444	7,746	9,698
Drug Law Enforcement	4,538	0	4,538
Police DARE	5,691	4,273	1,418
Police SRT	3,893	3,135	758
Police Dive Team	4,747	306	4,441
Total Security of Persons and Property-Police	43,015	16,113	26,902
Security of Persons and Property-Fire Fire Suppression	723	0	723
Leisure Time Activities Green Trust	22,032	9,103	12,929
Community Environment Downtown Economic Development Sycamore Tree Trust	81,097 4,824	73,362 4,824	7,735 0
Total Community Environment	85,921	78,186	7,735
Total Expenditures	151,691	103,402	48,289
Excess of Revenues Over (Under) Expenditures	(12,548)	38,646	51,194
<u>Other Financing Sources</u>			
Other Financing Sources	0	175	175
Net Change in Fund Balance	(12,548)	38,821	51,369
Fund Balance at Beginning of Year	123,220	123,220	0
Prior Year Encumbrances Appropriated	4,274	4,274	0
Fund Balance at End of Year	\$114,946	\$166,315	\$51,369

City of Sandusky
Park Donations Special Revenue Fund

Schedule of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended December 31, 2002

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
<u>Revenues</u>			
Interest	\$2,530	\$0	(\$2,530)
Other	1,629	1,129	(500)
Total Revenues	<u>4,159</u>	<u>1,129</u>	<u>(3,030)</u>
<u>Expenditures</u>			
Current:			
Leisure Time Activities			
Shoreline Park Improvement	1,000	447	553
Other			
Fred Epple Trust	4,000	1,116	2,884
Total Expenditures	<u>5,000</u>	<u>1,563</u>	<u>3,437</u>
Net Change in Fund Balance	(841)	(434)	407
Fund Balance at Beginning of Year	103,232	103,232	0
Prior Year Encumbrances Appropriated	<u>151</u>	<u>151</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$102,542</u></u>	<u><u>\$102,949</u></u>	<u><u>\$407</u></u>

City of Sandusky
Cemetery Donations Special Revenue Fund

Schedule of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended December 31, 2002

	Budget	Actual	Variance Over (Under)
<u>Revenues</u>			
Charges for Services	\$20,142	\$23,103	\$2,961
Interest	45,491	28,066	(17,425)
Other	3,254	1,650	(1,604)
Total Revenues	68,887	52,819	(16,068)
<u>Expenditures</u>			
Current:			
Public Health			
Oakland Cemetery	39,932	39,773	159
Chapel Restoration	4,555	3,793	762
Garden Mausoleum	13,599	11,070	2,529
Perpetual Care	5,565	3,390	2,175
Special Care	2,914	2,609	305
Memorial Paintings	70	0	70
Mausoleum	12,861	363	12,498
Dorn Endowment	722	0	722
Total Public Health	80,218	60,998	19,220
Debt Service:			
Principal Retirement	3,400	3,400	0
Interest and Fiscal Charges	313	156	157
Total Debt Service	3,713	3,556	157
Total Expenditures	83,931	64,554	19,377
Excess of Revenues Under Expenditures	(15,044)	(11,735)	3,309
<u>Other Financing Sources</u>			
Other Financing Sources	1,106	16,900	15,794
Net Change in Fund Balance	(13,938)	5,165	19,103
Fund Balance at Beginning of Year	671,970	671,970	0
Prior Year Encumbrances Appropriated	5,396	5,396	0
Fund Balance at End of Year	\$663,428	\$682,531	\$19,103

City of Sandusky
General Bond Retirement Debt Service Fund

Schedule of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended December 31, 2002

	Budget	Actual	Variance Over (Under)
<u>Revenues</u>			
Property Taxes	\$570,943	\$508,346	(\$62,597)
Municipal Income Taxes	432,005	433,156	1,151
Intergovernmental	0	62,957	62,957
Total Revenues	<u>1,002,948</u>	<u>1,004,459</u>	<u>1,511</u>
<u>Expenditures</u>			
Debt Service:			
Principal Retirement	440,160	399,867	40,293
Interest and Fiscal Charges	910,266	910,260	6
Total Expenditures	<u>1,350,426</u>	<u>1,310,127</u>	<u>40,299</u>
Excess of Revenues Under Expenditures	<u>(347,478)</u>	<u>(305,668)</u>	<u>41,810</u>
<u>Other Financing Sources</u>			
Other Financing Sources	1	35	34
Transfers In	119,561	119,561	0
Total Other Financing Sources	<u>119,562</u>	<u>119,596</u>	<u>34</u>
Net Change in Fund Balance	(227,916)	(186,072)	41,844
Fund Balance at Beginning of Year	<u>1,155,354</u>	<u>1,155,354</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$927,438</u></u>	<u><u>\$969,282</u></u>	<u><u>\$41,844</u></u>

City of Sandusky
Capital Improvement Capital Projects Fund

Schedule of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended December 31, 2002

	Budget	Actual	Variance Over (Under)
<u>Revenues</u>			
Municipal Income Taxes	\$69,305	\$69,305	\$0
Interest	25,212	25,212	0
Miscellaneous	70,000	70,000	
Total Revenues	164,517	164,517	0
<u>Expenditures</u>			
	0	0	0
Excess of Revenues Over Expenditures	164,517	164,517	0
<u>Other Financing Sources (Uses)</u>			
Transfers In	153,810	153,810	0
Transfers Out	(319,932)	(319,932)	0
Total Other Financing Sources (Uses)	(166,122)	(166,122)	0
Net Change in Fund Balance	(1,605)	(1,605)	0
Fund Balance at Beginning of Year	1,605	1,605	0
Fund Balance at End of Year	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

City of Sandusky
Redevelopment Tax Increment Capital Projects Fund

Schedule of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended December 31, 2002

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
<u>Revenues</u>			
Payment in Lieu of Taxes	\$20,678	\$19,286	(\$1,392)
<u>Expenditures</u>			
	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Revenues Over Expenditures	20,678	19,286	(1,392)
<u>Other Financing Uses</u>			
Transfers Out	<u>(20,678)</u>	<u>0</u>	<u>20,678</u>
Net Change in Fund Balance	0	19,286	19,286
Fund Balance at Beginning of Year	<u>313</u>	<u>313</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$313</u></u>	<u><u>\$19,599</u></u>	<u><u>\$19,286</u></u>

City of Sandusky
Special Assessment Improvement Capital Projects Fund

Schedule of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended December 31, 2002

	Budget	Actual	Variance Over (Under)
<u>Revenues</u>			
Special Assessments	\$156,753	\$122,017	(\$34,736)
Charges for Services	153,873	150,709	(3,164)
Interest	497	980	483
Miscellaneous	0	39	39
Total Revenues	311,123	273,745	(37,378)
<u>Expenditures</u>			
Current:			
Community Environment			
Remove Unsafe Buildings	155,292	155,216	76
Nuisance Removal	46,356	3,095	43,261
Total Community Environment	201,648	158,311	43,337
Transportation			
Sidewalk-Curb-Gutter-2000	3,222	3,222	0
Sidewalk-Curb-Gutter-2001	14,658	11,559	3,099
Sidewalk-Curb-Gutter-2002	57,603	57,313	290
Total Transportation	75,483	72,094	3,389
Capital Outlay	334,703	297,570	37,133
Debt Service:			
Principal Retirement	372,000	372,000	0
Interest and Fiscal Charges	11,718	15,666	(3,948)
Total Debt Service	383,718	387,666	(3,948)
Total Expenditures	995,552	915,641	79,911
Excess of Revenues Under Expenditures	(684,429)	(641,896)	42,533
<u>Other Financing Sources</u>			
Other Financing Sources	1,500	1,500	0
Proceeds of Notes	252,150	252,000	(150)
Proceeds of Bonds	150,000	102,000	(48,000)
Premium on Bonds Issued	9,518	6,120	(3,398)
Transfers In	86,121	86,121	0
Total Other Financing Sources	499,289	447,741	(51,548)
Net Change in Fund Balance	(185,140)	(194,155)	(9,015)
Fund Balance at Beginning of Year	118,773	118,773	0
Prior Year Encumbrances Appropriated	168,101	168,101	0
Fund Balance at End of Year	\$101,734	\$92,719	(\$9,015)

Statistical Section

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**THE FOLLOWING UNAUDITED STATISTICAL TABLES
REFLECT SOCIAL AND ECONOMIC DATA,
FINANCIAL TRENDS, AND FISCAL CAPACITY OF THE CITY**

City of Sandusky
 Governmental Fund Type Expenditures by Program
 Last Ten Years

Year	Security of Persons and Property	Public Health	Leisure Time Activities	Community Environment	Transportation	General Government	Other
1993	\$6,002,453	\$310,374	\$577,063	\$800,603	\$1,157,094	\$2,841,671	\$238
1994	6,294,997	338,042	584,691	935,575	1,435,737	3,223,556	1,442
1995	6,724,044	355,436	712,284	1,177,649	1,546,568	2,882,161	14,876
1996	6,962,467	363,946	796,013	1,062,791	1,599,905	3,168,214	21,746
1997	7,059,645	391,894	808,060	2,008,903	1,566,152	3,351,429	59,532
1998	7,361,784	280,211	606,572	1,888,166	1,929,043	3,267,417	61,232
1999	7,927,614	258,835	619,518	2,847,660	2,175,015	3,462,839	42,637
2000	8,341,499	273,223	651,004	2,447,580	2,496,429	4,132,239	86,263
2001	8,960,893	298,907	726,969	1,954,070	2,454,674	4,495,323	45,849
2002	9,251,230	312,845	562,636	2,503,006	2,264,383	4,585,697	54,504

Source: City Records

Tables presenting revenues and expenses of governmental activities will be presented when sufficient data is available to create meaningful comparisons.

<u>Capital Outlay</u>	<u>Debt Service</u>	<u>Total</u>
\$2,115,834	\$514,298	\$14,319,628
2,019,450	498,829	15,332,319
3,379,297	574,556	17,366,871
3,081,333	712,297	17,768,712
3,700,153	807,630	19,753,398
9,561,279	1,537,319	26,493,023
7,426,232	990,738	25,751,088
9,156,554	1,225,882	28,810,673
7,921,774	3,195,665	30,054,124
5,253,729	1,993,409	26,781,439

City of Sandusky
 Governmental Fund Type Revenues by Source
 Last Ten Years

Year	Property Taxes	Payment in Lieu of Taxes	Municipal Income Taxes	Other Local Taxes	Special Assessments	Charges for Services	Fees, Licenses, and Permits
1993	\$1,209,396	\$0	\$5,373,553	\$2,486,361	\$564,575	\$458,060	\$310,594
1994	1,265,333	0	5,861,338	2,916,429	660,780	762,489	338,952
1995	1,176,602	0	6,178,675	3,227,828	572,037	1,004,248	379,847
1996	1,391,016	0	6,447,444	3,262,141	615,175	1,113,477	415,787
1997	1,400,162	0	6,449,070	2,807,588	539,703	1,054,287	665,962
1998	1,523,369	0	6,943,669	3,420,412	661,217	1,230,854	551,840
1999	1,999,129	0	7,018,275	3,493,101	811,449	1,402,865	622,330
2000	1,998,241	103,116	7,037,346	3,944,466	649,763	1,517,275	380,545
2001	2,214,697	20,679	7,404,105	3,741,044	624,338	1,578,119	900,427
2002	2,247,660	19,286	6,840,357	3,905,391	562,455	1,935,316	680,627

Source: City Records

Tables presenting revenues and expenses of governmental activities will be presented when sufficient data is available to create meaningful comparisons.

<u>Fines and Forfeitures</u>	<u>Inter- Governmental</u>	<u>Interest</u>	<u>Other</u>	<u>Total</u>
\$560,960	\$2,923,719	\$357,752	\$144,649	\$14,389,619
588,561	2,670,604	417,326	97,291	15,579,103
670,704	2,585,948	535,102	271,817	16,602,808
728,144	3,042,267	593,904	251,707	17,861,062
750,310	3,568,865	966,021	397,853	18,599,821
789,367	6,306,993	1,172,590	1,592,346	24,192,657
872,419	5,102,313	1,059,212	1,494,063	23,875,156
773,159	4,420,339	1,431,680	810,114	23,066,044
896,888	3,372,556	1,230,815	729,014	22,712,682
980,432	3,745,672	789,465	894,006	22,600,667

City of Sandusky
Real Property Tax Levies and Collections
Last Ten Years

Collection Year	Current Tax Levy	Current Collections	Percentage of Current Collections to Current Tax Levy	Delinquent Charges	Delinquent Collections	Total Collections	Percentage of Total Collections to Current Tax Levy
1993	\$1,088,566	\$1,078,833	99.11%	\$40,082	\$41,548	\$1,120,381	102.92%
1994	1,091,149	1,115,407	102.22	47,851	37,772	1,153,179	105.68
1995	1,234,568	1,133,710	91.83	45,180	38,914	1,172,624	94.98
1996	1,213,738	1,140,376	93.96	58,779	40,025	1,180,401	97.25
1997	1,245,757	1,151,578	92.44	51,312	40,464	1,192,042	95.69
1998	1,358,402	1,249,264	91.97	41,665	80,126	1,329,390	97.86
1999	1,883,592	1,812,916	96.25	141,835	74,586	1,887,502	100.21
2000	1,878,167	1,811,168	96.43	145,740	75,352	1,886,520	100.44
2001	2,233,538	2,041,609	91.41	191,929	76,646	2,118,255	94.84
2002	2,422,401	2,284,463	94.31	137,938	89,665	2,374,128	98.01

Source: Erie County Auditor

City of Sandusky
Assessed and Estimated Actual
Value of Taxable Property
Last Ten Years

Collection Year	Assessed Valuations				Estimated Actual Value
	Real	Public Utility Personal	Tangible Personal	Total	
1993	\$242,401,870	\$26,211,960	\$52,267,043	\$320,880,873	\$1,042,862,800
1994	275,371,410	52,812,280	26,472,300	354,655,990	1,043,556,890
1995	274,800,730	24,356,850	56,443,305	355,600,885	1,080,509,160
1996	282,715,850	24,170,500	60,473,494	367,359,844	1,118,712,119
1997	286,249,798	24,581,399	61,320,122	372,151,319	1,118,233,066
1998	311,447,790	28,747,840	61,487,103	401,682,733	1,172,681,618
1999	317,091,140	24,844,230	64,355,718	406,291,088	1,191,629,636
2000	318,326,290	22,875,100	64,159,264	405,360,654	1,166,166,661
2001	350,460,030	23,655,510	65,521,406	439,636,946	1,290,281,100
2002	357,159,460	17,532,410	76,042,536	450,734,406	1,287,812,595

Source: Erie County Auditor

City of Sandusky
Property Tax Rates - Direct and Overlapping Governments
Per \$1,000 of Assessed Valuation
Last Ten Years

Year	Assessed Valuation	City				Total City
		General	Fire Pension	Police Pension	Bond Levy	
1993	\$320,881,872	\$3.65	\$0.30	\$0.30	\$0.00	\$4.25
1994	354,655,990	3.65	0.30	0.30	0.00	4.25
1995	355,600,885	3.65	0.30	0.30	0.00	4.25
1996	367,359,844	3.65	0.30	0.30	0.00	4.25
1997	372,151,319	3.65	0.30	0.30	0.00	4.25
1998	401,682,733	3.65	0.30	0.30	0.00	4.25
1999	406,291,088	3.65	0.30	0.30	0.00	4.25
2000	405,360,654	3.65	0.30	0.30	1.26	5.51
2001	439,636,946	3.65	0.30	0.30	1.26	5.51
2002	450,734,406	3.65	0.30	0.30	1.26	5.51

Source: Erie County Auditor

<u>School</u>	<u>County</u>	<u>Total</u>
\$63.10	\$8.00	\$75.35
63.10	8.00	75.35
63.10	7.80	75.15
63.10	7.80	75.15
63.10	7.80	75.15
67.20	8.30	79.75
66.84	8.30	79.39
66.84	8.30	80.65
65.20	8.30	79.01
65.20	8.30	79.01

City of Sandusky
Principal Taxpayers
December 31, 2002

Taxpayer	Type of Business	Total Assessed Valuation	Percent of Total City Assessed Valuation
Cedar Point, Inc.	Theme Park	\$52,913,510	11.74%
Ohio Edison Company	Electric Utility	7,450,800	1.65
Fort James Operating Company	Thermaformed Container	5,316,360	1.18
Sandusky Limited	Port Facilities	5,287,839	1.17
Sandusky International	Central Fugal Castings	4,912,760	1.10
Ohio Bell	Telephone	3,986,320	0.88
FMC Corporation	Food Equipment	3,481,380	0.77
S & S Realty	Realty	3,438,920	0.76
Firelands Regional Health System	Hospital	3,138,510	0.70
Norfolk & Southern Railroad	Railroad	3,082,530	0.68
Total Top Ten Taxpayers		<u>\$93,008,929</u>	<u>20.63%</u>
Total City		<u>\$450,734,406</u>	

Source: Erie County Auditor

City of Sandusky
Special Assessment Levies and Collections
Last Ten Years

Collection Year	Current Assessment Levied (3)	Total Assessments Collected (1)	Percentage of Collections to Amount Levied	Accumulated Delinquencies (2)
1993	\$460,832	\$423,870	91.98%	\$194,591
1994	468,771	434,653	92.72	232,509
1995	474,115	435,287	91.81	270,517
1996	473,211	455,131	96.18	304,881
1997	463,391	446,180	96.29	333,797
1998	499,722	400,633	80.17	458,718
1999	494,836	449,241	90.79	530,898
2000	509,214	429,463	84.34	319,414
2001	494,657	401,765	81.22	412,286
2002	664,086	663,358	99.89	384,794

Source: Erie County Auditor

- (1) Includes only those amounts billed and collected by the County.
- (2) Includes penalties and interest, if applicable.
- (3) Includes delinquent utility charges, building demolition, and weed cutting.

City of Sandusky
 Legal Debt Margin
 December 31, 2002

Total Assessed Valuation		\$450,734,406
Overall Debt Limitation - 10.5% of Assessed Valuation		47,327,113
Gross Indebtedness	43,106,975	
Less Debt Outside Limitation:		
Bond Anticipation Notes	2,242,360	
Special Assessment Notes	252,000	
OWDA Loans	15,594,157	
Special Assessment Revenue Bonds	2,781,605	
General Obligation Revenue Bonds	1,647,000	
Net Indebtedness	20,589,853	
Less: General Bond Retirement Fund Balance	970,382	
Net Debt Margin Within 10.5% Limitation		19,619,471
Legal Debt Margin Within 10.5% Limitation		\$27,707,642

Unvoted Debt Limitation - 5.5% of Assessed Valuation		\$24,790,392
Gross Indebtedness	43,106,975	
Less Debt Outside Limitation:		
Bond Anticipation Notes	2,242,360	
Special Assessment Notes	252,000	
OWDA Loans	15,594,157	
Special Assessment Revenue Bonds	2,781,605	
General Obligation Revenue Bonds	1,647,000	
Net Indebtedness	20,589,853	
Less: General Bond Retirement Fund Balance	970,382	
Net Debt Margin Within 5.5% Limitation		19,619,471
Legal Debt Margin Within 5.5% Limitation		\$5,170,921

City of Sandusky
Ratio of Net General Obligation Bonded Debt to
Assessed Value and Net General Bonded Debt Per Capita
Last Ten Years

Year	Population	Assessed Value	Gross Bonded Debt (1)	Debt Service Monies Available	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
1993	29,764	\$320,880,873	\$570,000	\$0	\$570,000	0.18%	\$19.15
1994	29,764	354,655,990	1,420,000	0	1,420,000	0.40	47.71
1995	29,764	355,600,885	1,390,000	0	1,390,000	0.39	46.70
1996	29,764	367,359,844	1,272,000	1,192,743	79,257	0.02	2.66
1997	29,764	372,151,319	1,154,000	1,293,346	0	0.00	0.00
1998	29,764	401,682,733	420,000	873,482	0	0.00	0.00
1999	29,764	406,291,088	390,000	834,036	0	0.00	0.00
2000	27,844	405,360,654	6,360,000	0	6,360,000	1.57	228.42
2001	27,844	439,636,946	19,642,200	1,196,603	18,445,597	4.20	662.46
2002	27,844	450,734,406	19,212,333	970,382	18,241,951	4.05	655.15

Source: Erie County Auditor

(1) Gross bonded debt equals the outstanding principal at year end on general obligation bonds payable.

City of Sandusky
Ratio of Annual Debt Service for
General Obligation Bonded Debt to Total Governmental Expenditures
Last Ten Years

Year	Debt Service for General Obligation Bonded Debt			Governmental Expenditures	Ratio
	Principal	Interest	Total		
1993	\$30,000	\$31,725	\$61,725	\$14,319,628	0.43%
1994	30,000	30,225	60,225	15,332,319	0.39
1995	30,000	28,725	58,725	17,366,871	0.34
1996	118,000	75,625	193,625	17,768,712	1.09
1997	118,000	69,285	187,285	19,753,398	0.95
1998	734,000	49,812	783,812	26,493,023	2.96
1999	30,000	22,725	52,725	25,751,088	0.20
2000	30,000	21,225	51,225	28,810,673	0.18
2001	390,000	692,370	1,082,370	30,054,124	3.60
2002	429,867	910,260	1,340,127	26,781,439	5.00

Source: City Records

City of Sandusky
 Computation of Direct and Overlapping Debt
 December 31, 2002

	Assessed Valuation	General Obligation Debt	Percent Applicable to City of Sandusky (1)	Amount Applicable to City of Sandusky
City of Sandusky	\$450,734,406	\$43,150,007	100.00%	\$43,150,007
Erie County	1,683,615,055	43,320,500	6.17	2,672,875
Sandusky City School District	450,734,406	1,240,000	0.00	0
Subtotal	2,134,349,461	44,560,500		2,672,875
Total	<u>\$2,585,083,867</u>	<u>\$87,710,507</u>		<u>\$45,822,882</u>

Source: City Records and Erie County Auditor

(1) Percentages were determined by dividing the assessed valuation of the political subdivision located within the boundaries of the City by the total assessed valuation of the political subdivision. The valuations used were for the 2002 collection year.

City of Sandusky
 General Obligation - Revenue Supported - Bond Coverage
 Water Enterprise Fund
 Last Ten Years

Year	Gross Revenues	Operating Expenses (1)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1993	\$2,774,464	\$1,957,749	\$816,715	\$308,500	\$249,482	\$557,982	1.46
1994	2,730,640	1,970,324	760,316	308,500	228,240	536,740	1.42
1995	2,942,055	2,111,940	830,115	308,500	206,998	515,498	1.61
1996	2,909,367	1,992,100	917,267	208,500	185,756	394,256	2.33
1997	3,008,504	2,381,713	626,791	208,500	170,057	378,557	1.66
1998	3,300,455	2,488,304	812,151	213,500	156,772	370,272	2.19
1999	3,280,565	2,495,424	785,141	213,500	139,668	353,168	2.22
2000	3,083,574	2,518,245	565,329	213,500	127,152	340,652	1.66
2001	4,226,826	3,391,723	835,103	213,500	112,340	325,840	2.56
2002	5,392,746	3,294,752	2,097,994	920,000	95,115	1,015,115	2.07

Source: City Records

(1) Includes depreciation expense, excludes interest expense.

City of Sandusky
 General Obligation - Revenue Supported - Bond Coverage
 Sewer Enterprise Fund
 Last Ten Years

Year	Gross Revenues	Operating Expenses (1)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1993	\$2,297,413	\$2,393,550	(\$96,137)	\$71,500	\$64,861	\$136,361	(0.71)
1994	2,460,773	2,667,729	(206,956)	74,500	60,853	135,353	(1.53)
1995	3,270,434	2,987,459	282,975	75,500	63,101	138,601	2.04
1996	3,178,778	2,754,656	424,122	75,500	52,436	127,936	3.32
1997	3,175,594	3,406,244	(230,650)	71,807	47,878	119,685	(1.93)
1998	3,372,058	3,172,342	199,716	75,500	44,019	119,519	1.67
1999	3,768,240	3,661,278	106,962	75,500	73,392	148,892	0.72
2000	3,738,380	3,220,259	518,121	75,500	35,604	111,104	4.66
2001	5,326,004	4,141,231	1,184,773	75,500	31,395	106,895	11.08
2002	5,887,722	4,127,066	1,760,656	46,000	26,982	72,982	24.12

Source: City Records

(1) Includes depreciation expense, excludes interest expense.

City of Sandusky
Demographic Statistics
1960 - 2000

Year	Population	Dwelling Units	Occupied Dwelling Units Households	Persons Per Household	Owner Occupied Units	Median Family Income
1960	31,989	7,291	7,016	4.56	3,783	\$6,526
1970 (1)	32,674	11,803	10,867	3.01	6,742	8,915
1980 (2)	31,360	13,169	11,932	2.62	7,328	16,046
1990	29,764	13,416	12,059	2.58	6,931	N/A
2000	27,844	13,323	11,851	2.31	6,692	N/A

Source: City of Sandusky Department of Community Development and U.S. Bureau of the Census

(1) 1968 Figures

(2) 1979 Figures

City of Sandusky
Property Value, Construction, and Bank Deposits
Last Ten Years

Year	Total Real Property Value	Commercial Construction (1)		Residential Construction (1)		Bank Deposits (2)
		Number of Units	Value	Number of Units	Value	
1993	\$242,401,870	104	\$11,382,543	700	\$4,909,685	\$246,542,000
1994	275,371,410	64	20,704,623	566	4,661,266	246,960,000
1995	274,800,730	96	13,438,185	584	4,602,110	245,973,000
1996	282,715,850	112	13,828,609	605	4,917,967	245,161,000
1997	286,249,798	135	10,170,285	574	4,874,666	268,944,000
1998	311,447,790	102	26,848,146	425	5,124,026	288,494,000
1999	317,091,140	109	34,400,988	491	7,184,258	283,288,000
2000	318,326,290	121	17,186,521	587	7,336,081	279,070,000
2001	350,460,030	206	28,269,740	1,063	8,121,450	298,753,000
2002	357,159,460	136	24,611,714	438	6,323,118	434,807,000

(1) Source: Building Inspector

(2) Source: Federal Deposit Insurance Corporation and Federal Savings and Loan Insurance Corporation.
Total Deposits for Erie County.

City of Sandusky
Income Tax Collections
1968-2002

Income Tax Rate 1 Percent

Year	General Fund	Street Maintenance Fund	General Bond Retirement Fund	Capital Improvement Fund	Total Collections (1)
1968	60.00%	0.00%	0.00%	40.00%	\$873,898
1969	60.00	0.00	0.00	40.00	1,354,131
1970	60.00	0.00	0.00	40.00	1,456,024
1971	60.00	0.00	0.00	40.00	1,507,636
1972	60.00	0.00	0.00	40.00	1,636,918
1973	60.00	0.00	0.00	40.00	1,812,152
1974	60.00	0.00	0.00	40.00	2,068,399
1975	70.00	0.00	0.00	30.00	2,156,669
1976	70.00	0.00	0.00	30.00	2,186,367
1977	70.00	0.00	0.00	30.00	2,456,051
1978	70.00	0.00	0.00	30.00	2,820,951
1979	70.00	0.00	0.00	30.00	3,145,229
1980	70.00	0.00	0.00	30.00	3,160,968
1981	80.00	0.00	0.00	20.00	3,108,138
1982	80.00	0.00	0.00	20.00	3,096,968
1983	90.00	0.00	0.00	10.00	3,398,780
1984	80.00	0.00	0.00	20.00	3,289,881
1985	80.00	5.00	0.00	15.00	3,618,895
1986	80.00	5.00	6.25	8.75	3,590,649
1987	91.75	0.00	6.25	2.00	4,009,896
1988	91.75	0.00	6.25	2.00	4,542,402
1989	91.75	0.00	6.25	2.00	4,607,716
1990	88.75	0.00	6.25	5.00	4,912,882
1991	88.75	0.00	6.25	5.00	4,884,478
1992	88.75	0.00	6.25	5.00	4,943,999
1993	88.75	0.00	6.25	5.00	5,373,553
1994	88.75	0.00	6.25	5.00	5,861,337
1995	88.75	0.00	6.25	5.00	6,167,312
1996	88.75	0.00	6.25	5.00	6,447,444
1997	88.75	0.00	6.25	5.00	6,449,070
1998	88.75	0.00	6.25	5.00	6,943,669
1999	88.75	0.00	6.25	5.00	7,018,275
2000	88.75	0.00	6.25	5.00	7,037,346
2001	88.75	0.00	6.25	5.00	7,404,105
2002	92.75	0.00	6.25	1.00	6,840,357

Source: City Records

(1) 1968 - 1984 cash basis; 1985 - 2002 GAAP basis.

City of Sandusky
Miscellaneous Statistics
December 31, 2002

Date of Incorporation:	1818	Recreation and Culture:
Form of Government:	City Commission-City Manager	Parks and Playgrounds (236 acres)
Area:	14.9 sq. mi. (land 9.1, water 5.8)	Municipal Golf Course (9 holes)
Location:	Situated on Sandusky Bay, Lake Erie, midway between Cleveland and Toledo	Municipal Boat Ramp
Climatology:	Temperature 49.0 degrees, Rainfall 45.03 (avg)	Country Club, Yacht Club, and Sailing Club
Miles of Streets:	101.79 paved, 5.69 unpaved	Private Marinas
Homes:	11,851	Fishing, Hunting, Swimming, and Boating
Churches:	70, 36 denominations	Cedar Point Amusement Park
Financial Institutions:		Surf's Up Wave Action Pool
Banks	5	Theaters (2)
Savings and Loans	1	Industrial
Fire Protection:		73 Establishments
Number of Stations	3	14,400 Wage Earners
Number of Firemen and Officers	57	Port
Number of Fire Hydrants	915	Major Coal Loading Docks
Police Protection:		Port of Entry U.S. Immigration Service, Passport and Customs Office
Number of Stations	1	Public Utilities
Number of Policemen and Officers	57	Ohio Edison Company/First Energy
Hospitals	1, Total 531 beds, 22 bassinets	Columbia Gas Company of Ohio
Education:		SBC
Public		Water Supply
Elementary Schools	8	Capacity of filtration plant 18 million gal.
Middle Schools	2	Water Supply - Lake Erie
Secondary Schools	1	Water Pollution Control
Total	11	Capacity of plant 25 million gal.
Enrollment		Transportation
Elementary Schools	2,282	Griffing Sandusky Airport
Middle Schools	625	Freight - Conrail
Secondary Schools	1,250	Norfolk & Southern Railroad
Total Enrollment	4,157	Greyhound Bus Lines
Communication:		Boat Ferry Service
Newspapers		Airplane Service
Sandusky Register	Circulation - 24,000	21 Trucking Lines
Morning Journal	Circulation - 50,000	Passenger Service (freight and auto)
Radio Stations		Amtrak
WLEC 1450 AM	35 mile radius	Canada - Pelee Island Steamer
WCPZ 102.7 FM	50 mile radius	Lake Erie Islands - Neuman Boat Lines, Goodtime I, and Island Rocket
Television Stations		Sandusky Transit System
Register Cable News Ch 41 (T.W. Teleproductions)		
Showtime, HBO, and Movie Channels available		





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CITY OF SANDUSKY

ERIE 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 30, 2003**