

Mary Taylor, CPA
Auditor of State

**FINANCIAL CONDITION
SANDUSKY COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sandusky County, Ohio (the County), as of and for the year ended December 31, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sandusky County, Ohio, as of December 31, 2008, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General, Motor Vehicle and Gas Tax, Human Services, and County Board of Mental Retardation and Developmental Disabilities funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2009, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



Mary Taylor, CPA
Auditor of State

November 24, 2009

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008**

The management's discussion and analysis of Sandusky County's (the "County") financial performance provides an overall review of the County's financial activities for the year ended December 31, 2008. The intent of this discussion and analysis is to look at the County's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the County's financial performance.

Financial Highlights

Key financial highlights for 2008 are as follows:

- The total net assets of the County decreased \$507,788. Net assets of governmental activities decreased \$247,973, which represents a 0.36% decrease over 2007. Net assets of business-type activities decreased \$259,815, or 5.96% from 2007.
- General revenues accounted for \$21,202,859 or 43.05% of total governmental activities revenue. Program specific revenues accounted for \$28,050,137 or 56.95% of total governmental activities revenue.
- The County had \$49,476,504 in expenses related to governmental activities; \$28,050,137 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily property and sales taxes) of \$21,202,859 were not adequate to provide for these programs.
- The general fund, the County's largest major fund, had revenues and other financing sources of \$15,874,994 in 2008, a decrease of \$1,163,849 from 2007 revenues and other financing sources. The general fund had expenditures and other financing uses of \$16,804,696 in 2008, a decrease of \$651,085 from 2007. The general fund, fund balance decreased \$929,702 from 2007 to 2008.
- The motor vehicle and gas tax fund, a County major fund, had revenues and other financing sources of \$5,630,310 in 2008. The motor vehicle and gas tax fund had expenditures of \$5,277,181 in 2008. The motor vehicle and gas tax fund, fund balance increased \$353,129 from 2007 to 2008.
- The human services fund, a County major fund, had revenues and other financing sources of \$8,178,025 in 2008. The human services fund had expenditures of \$9,548,928 in 2008. The human services fund, fund balance decreased \$1,370,903 from 2007 to 2008.
- The County board of mental retardation and developmentally disabled (MR/DD) fund, a County major fund, had revenues of \$7,996,247 in 2008. The County board of MR/DD fund had expenditures of \$7,746,495 in 2008. The County board of MR/DD fund, fund balance increased \$249,752 from 2007 to 2008.
- Net assets for the sanitary sewer enterprise fund decreased in 2008 by \$259,815 or 5.96%. The sanitary sewer enterprise fund transferred in \$24,465 from governmental funds in 2008.
- In the general fund, the actual revenues and other financing sources came in \$138,396 lower than they were originally budgeted and actual expenditures and other financing uses were \$2,017,012 less than the amount in the original budget. These variances are a result of the County's conservative budgeting process.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)

Using the Basic Financial Statements (BFS)

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

The statement of net assets and statement of activities provide information about the activities of the whole County, presenting both an aggregate view of the County's finances and a longer-term view of those finances.

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

Reporting the County as a Whole

Statement of Net Assets and the Statement of Activities

The statement of net assets and the statement of activities answer the question, how did we do financially during 2008? These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. The accrual basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

Reporting the County's Most Significant Funds

Fund Financial Statements

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

FINANCIAL CONDITION SANDUSKY COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2008 (Continued)

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

Governmental Funds

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

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

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

Proprietary Funds

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

Fiduciary Funds

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

Notes to the Financial Statements

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

**FINANCIAL CONDITION
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)

Government-Wide Financial Analysis

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

The table below provides a summary of the County's net assets for 2008 and 2007.

	Net Assets					
	Governmental Activities 2008	Business-type Activities 2008	Governmental Activities 2007	Business-type Activities 2007	2008 Total	2007 Total
<u>Assets</u>						
Current and other assets	\$42,131,531	\$844,748	\$44,264,424	\$925,204	\$42,976,279	\$45,189,628
Capital assets, net	<u>43,784,961</u>	<u>4,902,731</u>	<u>43,482,727</u>	<u>5,137,156</u>	<u>48,687,692</u>	<u>48,619,883</u>
Total assets	<u>85,916,492</u>	<u>5,747,479</u>	<u>87,747,151</u>	<u>6,062,360</u>	<u>91,663,971</u>	<u>93,809,511</u>
<u>Liabilities</u>						
Long-term liabilities outstanding	7,176,042	1,562,964	7,601,097	1,646,566	8,739,006	9,247,663
Other liabilities	<u>9,702,583</u>	<u>87,714</u>	<u>10,860,214</u>	<u>59,178</u>	<u>9,790,297</u>	<u>10,919,392</u>
Total liabilities	<u>16,878,625</u>	<u>1,650,678</u>	<u>18,461,311</u>	<u>1,705,744</u>	<u>18,529,303</u>	<u>20,167,055</u>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	39,007,842	3,396,628	38,292,019	3,501,732	42,404,470	41,793,751
Restricted	22,170,381		22,671,675		22,170,381	22,671,675
Unrestricted	<u>7,859,644</u>	<u>700,173</u>	<u>8,322,146</u>	<u>854,884</u>	<u>8,559,817</u>	<u>9,177,030</u>
Total net assets	<u>\$69,037,867</u>	<u>\$4,096,801</u>	<u>\$69,285,840</u>	<u>\$4,356,616</u>	<u>\$73,134,668</u>	<u>\$73,642,456</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2008, the County's assets exceeded liabilities by \$73,134,668. This amounts to \$69,037,867 in governmental activities and \$4,096,801 in business-type activities. The County's finances remained strong during 2008, despite the decline in the economy.

Capital assets reported on the government-wide statements represent the largest portion of the County's net assets. At year-end, capital assets represented 53.12% of total governmental and business-type assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles, construction in progress, water and sewer lines and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2008, were \$42,404,470. These capital assets are used to provide services to citizens and are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

As of December 31, 2008, the County is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

A portion of the County's net assets, \$22,170,381, represents resources that are subject to external restrictions on how they may be used. The remaining balance of government-wide unrestricted net assets of \$8,559,817 may be used to meet the government's ongoing obligations to citizens and creditors.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

The table below shows the changes in net assets for fiscal years 2008 and 2007.

	Change in Net Assets					
	Governmental	Business-type	Governmental	Business-type	2008	2007
	Activities 2008	Activities 2008	Activities 2007	Activities 2007	Total	Total
Revenues						
Program revenues:						
Charges for services and sales	\$7,019,636	\$1,002,082	\$7,293,421	\$981,157	\$8,021,718	\$8,274,578
Operating grants and contributions	20,942,070		22,105,945		20,942,070	22,105,945
Capital grants and contributions	88,431		609,422		88,431	609,422
Total program revenues	28,050,137	1,002,082	30,008,788	981,157	29,052,219	30,989,945
General revenues:						
Property taxes	7,175,371		9,133,812		7,175,371	9,133,812
Sales tax	7,249,096		7,615,121		7,249,096	7,615,121
Unrestricted grants	3,139,562		2,356,598		3,139,562	2,356,598
Investment earnings	1,199,247		1,523,596		1,199,247	1,523,596
Other	2,439,583		2,066,226	87,993	2,439,583	2,154,219
Total general revenues	21,202,859		22,695,353	87,993	21,202,859	22,783,346
Total revenues	49,252,996	1,002,082	52,704,141	1,069,150	50,255,078	53,773,291
Expenses						
Program expenses:						
General government	9,974,280		9,634,931		9,974,280	9,634,931
Public safety	10,007,854		9,834,803		10,007,854	9,834,803
Public works	4,777,620		5,820,306		4,777,620	5,820,306
Health	434,833		440,844		434,833	440,844
Human services	23,149,503		21,613,433		23,149,503	21,613,433
Economic development and assistance	459,621		357,794		459,621	357,794
Intergovernmental	199,277		186,600		199,277	186,600
Other	241,233		534,497		241,233	534,497
Interest and fiscal charges	232,283		241,952		232,283	241,952
Sanitary sewer		1,286,362		1,175,543	1,286,362	1,175,543
Total expenses	49,476,504	1,286,362	48,665,160	1,175,543	50,762,866	49,840,703
Change in net assets before transfers	(223,508)	(284,280)	4,038,981	(106,393)	(507,788)	3,932,588
Transfers	(24,465)	24,465	(28,191)	28,191		
Change in net assets	(\$247,973)	(\$259,815)	\$4,010,790	(\$78,202)	(\$507,788)	\$3,932,588

**FINANCIAL CONDITION
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)

Governmental Activities

Governmental assets decreased by \$1,830,659 in 2008 over 2007. This decrease is due to lower property tax and sales tax revenues in 2008 over 2007.

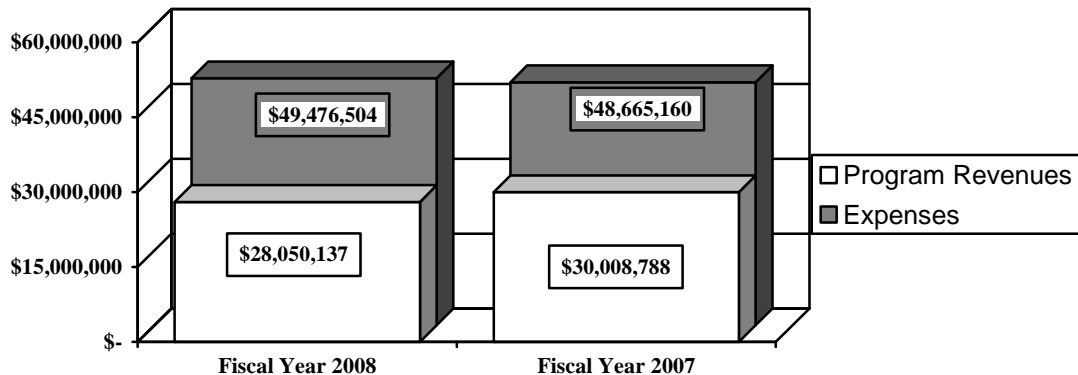
Human services expenses, which support the operations of the County Board of MRDD, Job and Family Services, Veteran Services, and the Children Services Board, accounts for \$23,149,503 of expenses, or 46.79% of total governmental expenses of the County. These expenses were funded by \$208,824 in charges to users of services and \$13,993,535 in operating grants and contributions in 2008. General government expenses which includes legislative and executive and judicial programs, totaled \$9,974,280 or 20.16% of total governmental expenses. General government expenses were covered by \$3,431,541 of direct charges to users in 2008.

The State and Federal government contributed to the County revenues of \$20,942,070 in operating grants and contributions and \$88,431 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions \$13,993,535, or 66.82%, subsidized human services programs.

General revenues totaled \$21,202,859, and amounted to 43.05% of total revenues. These revenues primarily consist of property and sales tax revenue of \$14,424,467, or 68.03% of total general revenues in 2008. The other primary source of general revenues is grants and entitlements not restricted to specific programs, with local government and local government revenue assistance making up \$3,139,562, or 14.81% of the total.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2008 and 2007. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

Governmental Activities – Program Revenues vs. Total Expenses



**FINANCIAL CONDITION
SANDUSKY COUNTY**

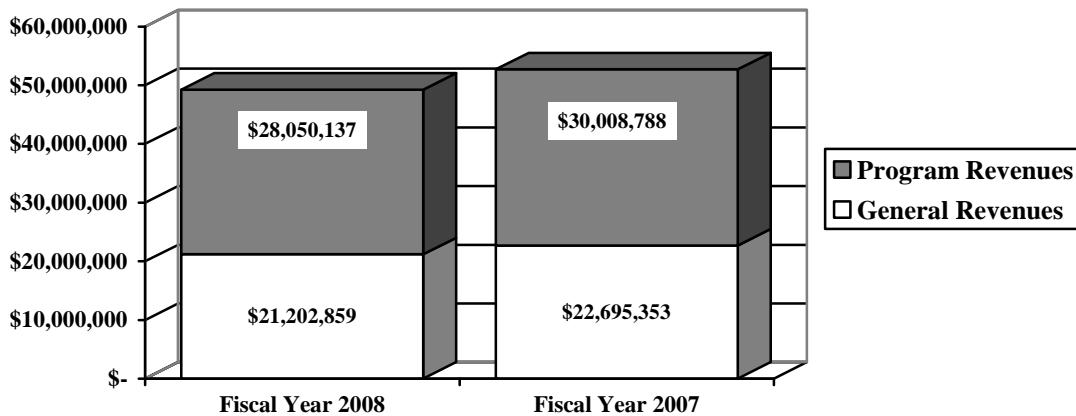
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)

Governmental Activities

	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
Program expenses:				
General government	\$9,974,280	\$6,524,402	\$9,634,931	\$5,534,383
Public safety	10,007,854	7,303,261	9,834,803	6,886,359
Public works	4,777,620	(1,968,891)	5,820,306	(22,505)
Health	434,833	177,628	440,844	179,038
Human services	23,149,503	8,947,144	21,613,433	5,447,149
Economic development and assistance	459,621	(53,498)	357,794	(23,455)
Intergovernmental	199,277	199,277	186,600	186,600
Other	241,233	241,233	534,497	534,497
Interest and fiscal charges	232,283	55,811	241,952	(65,694)
Total	\$49,476,504	\$21,426,367	\$48,665,160	\$18,656,372

The dependence upon general revenues for governmental activities is apparent, with 43.31% of expenses supported through taxes and other general revenues during 2008.

Governmental Activities - General and Program Revenues



Business-Type Activities

The sanitary sewer is the County's only enterprise fund. This program had revenues of \$1,002,082 and expenses of \$1,286,362 for fiscal year 2008. The sanitary sewer fund transferred in \$24,465 from the governmental funds. The sanitary sewer fund's net asset balance decreased \$259,815 in 2008.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)

Financial Analysis of the Government's Funds

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

Governmental Funds

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

The County's governmental funds reported a combined fund balance of \$23,494,706, which is \$1,353,910 under last year's total of \$24,848,616. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2008 for all major and non-major governmental funds.

	Fund Balance <u>December 31, 2008</u>	Fund Balance <u>December 31, 2007</u>	Increase <u>(Decrease)</u>
Major funds:			
General	\$4,016,177	\$4,945,879	(\$929,702)
Motor vehicle and gas tax	2,226,164	1,873,035	353,129
Human services	453,941	1,824,844	(1,370,903)
County board of MRDD	5,870,393	5,620,641	249,752
Other nonmajor governmental funds	10,928,031	10,584,217	343,814
Total	<u>\$23,494,706</u>	<u>\$24,848,616</u>	<u>(\$1,353,910)</u>

General Fund

The general fund, the County's largest major fund, had revenues and other financing sources of \$15,874,994 in 2008, a decrease of \$1,163,849 from 2007 revenues and other financing sources. The general fund had expenditures and other financing uses of \$16,804,696 in 2008, a decrease of \$651,085 from 2007. The general fund, fund balance decreased \$929,702 from 2007 to 2008.

Motor Vehicle and Gas Tax Fund

The motor vehicle and gas tax fund, a County major fund, had revenues and other financing sources of \$5,630,310 in 2008. The motor vehicle and gas tax fund had expenditures of \$5,277,181 in 2008. The motor vehicle and gas tax fund, fund balance increased \$353,129 from 2007 to 2008.

Human Services Fund

The human services fund, a County major fund, had revenues and other financing sources of \$8,178,025 in 2008. The human services fund had expenditures of \$9,548,928 in 2008. The human services fund, fund balance decreased \$1,370,903 from 2007 to 2008.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)

County Board of Mental Retardation and Developmentally Disabled Fund

The County board of mental retardation and developmentally disabled (MR/DD) fund, a County major fund, had revenues of \$7,996,247 in 2008. The County board of MR/DD fund had expenditures of \$7,746,495 in 2008. The County board of MR/DD fund, fund balance increased \$249,752 from 2007 to 2008.

Budgeting Highlights - General Fund

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

The original budgeted revenues and other financing sources were the same as the final budget. Actual revenues and other financing sources of \$16,226,749 are lower than final budgeted revenues and other financing sources by \$138,396. The difference between the final budgeted appropriations and other financing uses and actual expenditures and other financing uses was a \$2,031,222 decrease in expenditures. This reflects the County's conservative expenditure use in 2009.

Proprietary Funds

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

Capital Assets and Debt Administration

Capital Assets

At the end of 2008, the County had \$48,687,692 (net of accumulated depreciation) invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles, construction in progress, sewer and water lines and infrastructure. Of this total, \$43,784,961 was reported in governmental activities and \$4,902,731 was reported in business-type activities. The following table shows fiscal 2008 balances compared to 2007:

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

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$1,407,198	\$1,407,198	\$11,828	\$11,828	\$1,419,026	\$1,419,026
Land improvements	530,798	401,984	50,968	55,438	581,766	457,422
Building and improvements	13,361,332	13,776,225	163,875	183,547	13,525,207	13,959,772
Furniture and equipment	2,110,898	2,037,753	226,942	259,862	2,337,840	2,297,615
Vehicles	1,920,905	1,826,686	19,393	28,168	1,940,298	1,854,854
Infrastructure	24,362,650	24,004,525			24,362,650	24,004,525
Construction in progress	91,180	28,356	65,147	58,583	156,327	86,939
Sewer and water lines			4,364,578	4,539,730	4,364,578	4,539,730
Total	\$43,784,961	\$43,482,727	\$4,902,731	\$5,137,156	\$48,687,692	\$48,619,883

**FINANCIAL CONDITION
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)

During 2008, the County's governmental activities had \$3,429,434 in additions, \$520,684 (net of accumulated depreciation) in deletions and \$2,606,516 in depreciation expense. The increase in the County's governmental activities capital assets for 2008 was \$302,234. See Note 10 to the basic financial statements for detail on governmental activities and business-type activities capital assets.

Debt Administration

At December 31, 2008 the County's governmental activities had \$7,176,042 in general obligation bonds, special assessment bonds, notes, capital leases and compensated absences outstanding. Of this total, \$1,665,328 is due within one year and \$5,510,714 is due in greater than one year. At December 31, 2008 the County's business-type activities had \$1,562,964 in general obligation bonds, OWPC/OPWC loans and compensated absences outstanding. Of this total, \$192,540 is due within one year and \$1,370,424 is due within greater than one year. The following table summarizes the bonds, notes, leases, loans and compensated absences outstanding.

Outstanding Debt, at Year End

	Governmental Activities 2008	Business-Type Activities 2008	Governmental Activities 2007	Business-Type Activities 2007
Long-term obligations:				
General obligation bonds	\$4,340,000	\$80,000	\$4,645,000	\$120,000
Special assessment bonds	212,102		273,563	
OPWC/OWPC loans		1,470,782		1,515,424
Bond anticipation notes	155,000		230,000	
Capital lease obligation	70,017		42,145	
Compensated absences	2,398,923	12,182	2,410,389	11,142
Total	\$7,176,042	\$1,562,964	\$7,601,097	\$1,646,566

Economic Factors and Next Year's Budgets and Rates

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

The County's unemployment rate is currently 9.8%, compared to the 6.5% state average and the 5.8% national average.

These economic factors were considered in preparing the County's budget for fiscal year 2008. With the continuation of conservative budgeting practices, the County's financial position should remain strong in future years.

Contacting the County's Financial Management

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

**FINANCIAL CONDITION
SANDUSKY COUNTY**

STATEMENT OF NET ASSETS
DECEMBER 31, 2008

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents	\$ 23,341,623	\$ 791,064	\$ 24,132,687
Receivables (net of allowances for uncollectibles):			
Sales taxes	966,049		966,049
Real estate and other taxes	7,225,771		7,225,771
Accounts	539,119	80,476	619,595
Special assessments	287,916	8,209	296,125
Accrued interest	135,523		135,523
Due from other governments	5,293,391		5,293,391
Loans receivable	222,310		222,310
Internal balances	36,000	(36,000)	
Prepayments	513,156	999	514,155
Materials and supplies inventory	100,023		100,023
Investment in joint ventures	3,470,650		3,470,650
Capital assets:			
Land and construction in progress	1,498,378	76,975	1,575,353
Depreciable capital assets, net	42,286,583	4,825,756	47,112,339
Total capital assets, net	<u>43,784,961</u>	<u>4,902,731</u>	<u>48,687,692</u>
 Total assets	 <u>85,916,492</u>	 <u>5,747,479</u>	 <u>91,663,971</u>
Liabilities:			
Accounts payable	1,213,613	32,273	1,245,886
Accrued wages and benefits	930,490	9,922	940,412
Due to other governments	905,746	20,169	925,915
Accrued interest payable	18,306	25,350	43,656
Amount to be repaid to claimants	115,694		115,694
Unearned revenue	6,518,734		6,518,734
Long-term liabilities:			
Due within one year	1,665,328	192,540	1,857,868
Due in more than one year	5,510,714	1,370,424	6,881,138
 Total liabilities	 <u>16,878,625</u>	 <u>1,650,678</u>	 <u>18,529,303</u>
Net assets:			
Invested in capital assets, net of related debt	39,007,842	3,396,628	42,404,470
Restricted for:			
Capital projects	3,815,018		3,815,018
Debt service	816,482		816,482
Public works projects	3,649,474		3,649,474
Public safety programs	2,043,409		2,043,409
Human services programs	9,847,425		9,847,425
Health programs	164,637		164,637
Other purposes	1,833,936		1,833,936
Unrestricted	<u>7,859,644</u>	<u>700,173</u>	<u>8,559,817</u>
 Total net assets	 <u>\$ 69,037,867</u>	 <u>\$ 4,096,801</u>	 <u>\$ 73,134,668</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION
SANDUSKY COUNTY**

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008

	Program Revenues			
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:				
General government:				
Legislative and executive	\$ 6,463,310	\$ 2,177,046	\$ 15,912	
Judicial	3,510,970	1,254,495	2,425	
Public safety	10,007,854	1,628,712	1,075,881	
Public works	4,777,620	1,293,417	5,364,663	\$ 88,431
Health	434,833	257,132	73	
Human services	23,149,503	208,824	13,993,535	
Economic development and assistance	459,621	23,538	489,581	
Intergovernmental	199,277			
Other	241,233			
Interest and fiscal charges	232,283	176,472		
Total governmental activities	49,476,504	7,019,636	20,942,070	88,431
Business-type activities:				
Sanitary Sewer	1,286,362	1,002,082		
Total business-type activities	1,286,362	1,002,082		
Total primary government	\$50,762,866	\$ 8,021,718	\$ 20,942,070	\$ 88,431

General revenues:

Property taxes levied for:

 General fund

 Human services - County Board of MR/DD

 Human services - Senior Citizens

 Public safety 911 system

Sales taxes levied for:

 General fund

 Public safety - EMS

Grants and entitlements not restricted to specific programs

Investment earnings

Miscellaneous

Total general revenues

Transfers

Change in net assets

Net assets at beginning of year

Net assets at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Assets

Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (4,270,352)		\$ (4,270,352)
(2,254,050)		(2,254,050)
(7,303,261)		(7,303,261)
1,968,891		1,968,891
(177,628)		(177,628)
(8,947,144)		(8,947,144)
53,498		53,498
(199,277)		(199,277)
(241,233)		(241,233)
(55,811)		(55,811)
<u>(21,426,367)</u>		<u>(21,426,367)</u>
	\$ (284,280)	(284,280)
	(284,280)	(284,280)
<u>(21,426,367)</u>	<u>(284,280)</u>	<u>(21,710,647)</u>
2,682,793		2,682,793
3,813,552		3,813,552
453,447		453,447
225,579		225,579
5,879,410		5,879,410
1,369,686		1,369,686
3,139,562		3,139,562
1,199,247		1,199,247
2,439,583		2,439,583
<u>21,202,859</u>		<u>21,202,859</u>
(24,465)	24,465	
(247,973)	(259,815)	(507,788)
<u>69,285,840</u>	<u>4,356,616</u>	<u>73,642,456</u>
<u>\$ 69,037,867</u>	<u>\$ 4,096,801</u>	<u>\$ 73,134,668</u>

**FINANCIAL CONDITION
SANDUSKY COUNTY**

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2008

	<u>General</u>	<u>Motor Vehicle and Gas Tax</u>	<u>Human Services</u>
Assets:			
Equity in pooled cash and cash equivalents	\$ 3,168,189	\$ 1,544,661	\$ 962,530
Receivables (net of allowance for uncollectibles):			
Sales taxes	852,544		
Real estate and other taxes	2,334,122		
Accounts	210,040	2,069	9,857
Special assessments			
Due from other governments	991,643	2,226,422	487,842
Accrued interest	113,942		
Interfund loan receivable	10,000		
Loans receivable			
Due from other funds	62,418		
Prepayments	97,777	1,140	
Materials and supplies inventory	166,484	250,654	63,030
	<hr/>	<hr/>	<hr/>
Total assets	\$ 8,007,159	\$ 4,024,946	\$ 1,523,259
	<hr/>	<hr/>	<hr/>
Liabilities:			
Accounts payable	\$ 149,484	\$ 95,151	\$ 299,388
Accrued wages and benefits	339,123	98,067	145,630
Compensated absences payable	63,234		34,864
Due to other funds			
Due to other governments	295,280	56,495	101,594
Interfund loan payable			
Amounts to be repaid to claimants	115,694		
Deferred revenue	941,669	1,549,069	487,842
Unearned revenue	2,086,498		
	<hr/>	<hr/>	<hr/>
Total liabilities	3,990,982	1,798,782	1,069,318
	<hr/>	<hr/>	<hr/>
Fund balances:			
Reserved for encumbrances	27,984		165,499
Reserved for prepayments	97,777	1,140	
Reserved for materials and supplies inventory	166,484	250,654	63,030
Reserved for loans receivable			
Unreserved undesignated, reported in:			
General fund	3,723,932		
Special revenue funds		1,974,370	225,412
Debt service funds			
Capital projects funds			
	<hr/>	<hr/>	<hr/>
Total fund balances	4,016,177	2,226,164	453,941
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	\$ 8,007,159	\$ 4,024,946	\$ 1,523,259
	<hr/>	<hr/>	<hr/>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

County Board of MR/DD	Other Governmental Funds	Total Governmental Funds
\$ 6,341,136	\$ 11,108,847	\$ 23,125,363
	113,505	966,049
4,151,011	740,638	7,225,771
7,527	309,626	539,119
	287,916	287,916
316,553	1,270,931	5,293,391
	21,581	135,523
	36,000	46,000
	222,310	222,310
	1,106	62,418
14,796	18,192	100,023
<u>\$ 10,831,023</u>	<u>\$ 14,130,652</u>	<u>\$ 38,517,039</u>
\$ 134,207	\$ 535,383	\$ 1,213,613
179,328	168,342	930,490
7,820		105,918
	62,418	62,418
175,569	276,808	905,746
	10,000	10,000
		115,694
753,071	1,428,069	5,159,720
3,710,635	721,601	6,518,734
<u>4,960,630</u>	<u>3,202,621</u>	<u>15,022,333</u>
	150,802	344,285
	1,106	100,023
14,796	18,192	513,156
	222,310	222,310
		3,723,932
5,855,597	5,937,728	13,993,107
	786,547	786,547
	3,811,346	3,811,346
<u>5,870,393</u>	<u>10,928,031</u>	<u>23,494,706</u>
<u>\$ 10,831,023</u>	<u>\$ 14,130,652</u>	<u>\$ 38,517,039</u>

**FINANCIAL CONDITION
SANDUSKY COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2008

Total governmental fund balances		\$	23,494,706
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			43,784,961
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.			
Real estate and other taxes	\$	766,574	
Special assessments		287,916	
Accrued interest receivable		23,188	
Charges for services		28,251	
Intergovernmental revenues		4,053,791	
Total		5,159,720	5,159,720
The investments in joint ventures by governmental activities are not financial resources and therefore are not reported in fund balance at year end.			3,470,650
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net assets.			216,260
Bond issuance costs reported as an expenditure in the funds are allocated as an expense over the life of the debt on a full accrual basis.			
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(18,306)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		4,340,000	
Notes payable		155,000	
Special assessment bonds		212,102	
Capital lease payable		70,017	
Compensated absences		2,293,005	
Total		(7,070,124)	(7,070,124)
Net assets of governmental activities		\$	69,037,867

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION
SANDUSKY COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

	General	Motor Vehicle and Gas Tax	Human Services	County Board of MR/DD	Other Governmental Funds	Total Governmental Funds
Revenues:						
Real estate and other taxes	\$ 2,762,477			\$ 3,845,391	\$ 683,524	\$ 7,291,392
Sales taxes	5,879,410				1,369,686	7,249,096
Charges for services	1,564,977	\$ 118,800	\$ 37,425	63,803	3,290,924	5,075,929
Licenses and permits	3,814				155,247	159,061
Fines and forfeitures	612,456	65,706			36,819	714,981
Intergovernmental	2,137,335	5,276,278	8,021,376	3,908,577	4,560,729	23,904,295
Special assessments					300,807	300,807
Investment income	1,210,058	24,461			26,657	1,261,176
Rental income	18,138		1,006		660,124	679,268
Contributions and donations	4,645		454	21,671	19,219	45,989
Refunds and reimbursements	1,611,416	9,429			9,619	1,630,464
Other	29,785	13,106		156,805	489,469	689,165
Total revenues	15,834,511	5,507,780	8,060,261	7,996,247	11,602,824	49,001,623
Expenditures:						
Current:						
General government:						
Legislative and executive	5,087,696				1,175,570	6,263,266
Judicial	2,991,113				504,270	3,495,383
Public safety	5,580,130				3,958,379	9,538,509
Public works	28,232	5,277,181			220,818	5,526,231
Health	121,144				254,596	375,740
Human services	730,958		9,548,928	7,742,027	4,951,352	22,973,265
Economic development and assistance					455,503	455,503
Intergovernmental	199,277					199,277
Other	241,233					241,233
Capital outlay	40,483				694,920	735,403
Debt service:						
Principal retirement	9,458			3,153	596,461	609,072
Interest and fiscal charges	2,910			1,315	231,974	236,199
Total expenditures	15,032,634	5,277,181	9,548,928	7,746,495	13,043,843	50,649,081
Excess (deficiency) of revenues over (under) expenditures	801,877	230,599	(1,488,667)	249,752	(1,441,019)	(1,647,458)
Other financing sources (uses):						
Sale of capital assets		122,530				122,530
Issuance of bond anticipation notes					155,000	155,000
Transfers in			117,764		1,721,363	1,839,127
Transfers out	(1,772,062)				(91,530)	(1,863,592)
Capital lease transaction	40,483					40,483
Total other financing sources (uses)	(1,731,579)	122,530	117,764		1,784,833	293,548
Net change in fund balances	(929,702)	353,129	(1,370,903)	249,752	343,814	(1,353,910)
Fund balances at beginning of year	4,945,879	1,873,035	1,824,844	5,620,641	10,584,217	24,848,616
Fund balances at end of year	\$ 4,016,177	\$ 2,226,164	\$ 453,941	\$ 5,870,393	\$ 10,928,031	\$ 23,494,706

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION
SANDUSKY COUNTY**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008

Net change in fund balances - total governmental funds		\$ (1,353,910)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital outlay	\$ 3,429,434	
Depreciation expense	<u>(2,606,516)</u>	
Total		822,918
The effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.		
Capital asset disposals	(1,187,082)	
Accumulated depreciation on disposals	<u>666,398</u>	
Total		(520,684)
The issuance of notes and capital leases are other financing sources in the governmental funds, but they increase liabilities on the statement of net assets.		
		(195,483)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Real estate and other taxes	(116,021)	
Special assessments	75,379	
Interest	(10,811)	
Charges for services	(6,668)	
Intergovernmental	<u>172,702</u>	
Total		114,581
Increases in the value of investment in joint ventures that do not provide current financial resources are not reported in the funds.		
		136,792
Repayments of bonds, notes and capital leases are expenditures in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		
		609,072
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		
		3,916
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
		117,384
The internal service fund used by management to charge the cost of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		<u>17,441</u>
Change in net assets of governmental activities		<u><u>\$ (247,973)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION
SANDUSKY COUNTY**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
Revenues:				
Real estate and other taxes	\$ 2,822,096	\$ 2,822,096	\$ 2,790,766	\$ (31,330)
Sales taxes	5,984,948	5,984,948	5,934,335	(50,613)
Charges for services	1,574,753	1,574,753	1,561,436	(13,317)
Licenses and permits	3,821	3,821	3,789	(32)
Fines and forfeitures	611,385	611,385	606,215	(5,170)
Intergovernmental	2,477,694	2,477,694	2,464,204	(13,490)
Investment income	969,916	969,916	961,714	(8,202)
Rental income	18,293	18,293	18,138	(155)
Contributions and donations	4,685	4,685	4,645	(40)
Refunds and reimbursements	1,561,153	1,561,153	1,547,951	(13,202)
Other	48,155	48,155	47,748	(407)
Total revenues	<u>16,076,899</u>	<u>16,076,899</u>	<u>15,940,941</u>	<u>(135,958)</u>
Expenditures:				
Current:				
General government:				
Legislative and executive	5,065,245	5,530,345	5,022,044	508,301
Judicial	3,592,636	3,518,760	3,024,081	494,679
Public safety	5,806,927	5,795,591	5,632,143	163,448
Public works	28,424	28,424	28,424	
Health	133,775	133,775	121,144	12,631
Human services	750,238	745,747	716,553	29,194
Intergovernmental	191,600	219,233	199,202	20,031
Other	683,253	294,433	294,433	
Total expenditures	<u>16,252,098</u>	<u>16,266,308</u>	<u>15,038,024</u>	<u>1,228,284</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(175,199)</u>	<u>(189,409)</u>	<u>902,917</u>	<u>1,092,326</u>
Other financing sources (uses):				
Transfers out	(2,585,000)	(2,575,000)	(1,772,062)	802,938
Advances in	288,246	288,246	285,808	(2,438)
Advances out	(23,808)	(33,808)	(33,808)	
Total other financing sources (uses)	<u>(2,320,562)</u>	<u>(2,320,562)</u>	<u>(1,520,062)</u>	<u>800,500</u>
Net change in fund balance	(2,495,761)	(2,509,971)	(617,145)	1,892,826
Fund balance at beginning of year	3,189,296	3,189,296	3,189,296	
Prior year encumbrances appropriated	<u>324,007</u>	<u>324,007</u>	<u>324,007</u>	
Fund balance at end of year	<u>\$ 1,017,542</u>	<u>\$ 1,003,332</u>	<u>\$ 2,896,158</u>	<u>\$ 1,892,826</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION
SANDUSKY COUNTY**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
MOTOR VEHICLE AND GAS TAX
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Charges for services	\$ 2,000	\$ 2,000	\$ 131,392	\$ 129,392
Fines and forfeitures	65,000	65,000	66,863	1,863
Intergovernmental	4,400,000	4,400,000	4,359,000	(41,000)
Investment income			24,461	24,461
Refunds and reimbursements	48,000	48,000	9,429	(38,571)
Other	85,000	85,000	30,610	(54,390)
Total revenues	<u>4,600,000</u>	<u>4,600,000</u>	<u>4,621,755</u>	<u>21,755</u>
Expenditures:				
Current:				
Public works	<u>5,307,729</u>	<u>5,122,281</u>	<u>4,280,657</u>	<u>841,624</u>
Net change in fund balance	(707,729)	(522,281)	341,098	863,379
Fund balance at beginning of year	1,049,197	1,049,197	1,049,197	
Prior year encumbrances appropriated	<u>107,729</u>	<u>107,729</u>	<u>107,729</u>	
Fund balance at end of year	<u>\$ 449,197</u>	<u>\$ 634,645</u>	<u>\$ 1,498,024</u>	<u>\$ 863,379</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION
SANDUSKY COUNTY**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
HUMAN SERVICES FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services			\$ 37,425	\$ 37,425
Intergovernmental	\$ 10,000,000	\$ 10,000,000	8,029,178	(1,970,822)
Rental income			1,006	1,006
Contributions and donations	1,000	1,000	454	(546)
Total revenues	<u>10,001,000</u>	<u>10,001,000</u>	<u>8,068,063</u>	<u>(1,932,937)</u>
Expenditures:				
Current:				
Human services	11,245,267	11,262,253	10,012,253	1,250,000
Excess (deficiency) of revenues over (under) expenditures	<u>(1,244,267)</u>	<u>(1,261,253)</u>	<u>(1,944,190)</u>	<u>(682,937)</u>
Other financing sources:				
Transfers in			117,764	117,764
Net change in fund balance	(1,244,267)	(1,261,253)	(1,826,426)	(565,173)
Fund balance at beginning of year	2,101,709	2,101,709	2,101,709	
Prior year encumbrances appropriated	<u>236,321</u>	<u>236,321</u>	<u>236,321</u>	
Fund balance at end of year	<u>\$ 1,093,763</u>	<u>\$ 1,076,777</u>	<u>\$ 511,604</u>	<u>\$ (565,173)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION
SANDUSKY COUNTY**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
COUNTY BOARD OF MR/DD FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Real estate and other taxes	\$ 3,498,248	\$ 3,498,248	\$ 3,858,212	\$ 359,964
Charges for services	47,000	47,000	59,621	12,621
Intergovernmental	5,026,597	5,026,597	4,025,869	(1,000,728)
Contributions and donations	15,000	15,000	21,671	6,671
Other	33,400	33,400	156,865	123,465
Total revenues	<u>8,620,245</u>	<u>8,620,245</u>	<u>8,122,238</u>	<u>(498,007)</u>
Expenditures:				
Current:				
Human services	<u>9,339,718</u>	<u>9,339,718</u>	<u>7,724,310</u>	<u>1,615,408</u>
Net change in fund balance	(719,473)	(719,473)	397,928	1,117,401
Fund balance at beginning of year	5,221,371	5,221,371	5,221,371	
Prior year encumbrances appropriated	<u>447,416</u>	<u>447,416</u>	<u>447,416</u>	
Fund balance at end of year	<u><u>\$ 4,949,314</u></u>	<u><u>\$ 4,949,314</u></u>	<u><u>\$ 6,066,715</u></u>	<u><u>\$ 1,117,401</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION
SANDUSKY COUNTY**

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2008

	Business-Type Activities - Sanitary Sewer	Governmental Activities - Internal Service Fund
Assets:		
Current assets:		
Equity in pooled cash and cash equivalents	\$ 791,064	\$ 216,260
Receivables (net of allowance for uncollectibles):		
Accounts	80,476	
Special assessments	8,209	
Prepayments	999	
	880,748	216,260
Total current assets		
Noncurrent assets:		
Capital assets:		
Land and construction in progress	76,975	
Depreciable capital assets, net	4,825,756	
	4,902,731	
Total noncurrent assets		
Total Assets	5,783,479	216,260
Liabilities:		
Current liabilities:		
Accounts payable	32,273	
Accrued wages and benefits	9,922	
Compensated absences payable	8,954	
Interfund loan payable	36,000	
Due to other governments	20,169	
Accrued interest payable	25,350	
Current portion of OPWC loans	27,455	
Current portion of OWPC loans	116,131	
Current portion of general obligation bonds payable	40,000	
	316,254	
Total current liabilities		
Long-term liabilities:		
General obligation bonds payable	40,000	
Compensated absences	3,228	
OPWC loans	226,543	
OWPC loans	1,100,653	
	1,370,424	
Total long-term liabilities		
Total liabilities	1,686,678	
Net assets:		
Invested in capital assets, net of related debt	3,396,628	
Unrestricted	700,173	216,260
Total Net Assets	\$ 4,096,801	\$ 216,260

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION
SANDUSKY COUNTY**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

	Business-Type Activities - Sanitary Sewer	Governmental Activities - Internal Service Fund
Operating revenues:		
Charges for services	\$ 978,474	\$ 17,441
Other	23,608	
Total operating revenues	<u>1,002,082</u>	<u>17,441</u>
Operating expenses:		
Personal services	273,744	
Contract services	473,580	
Utilities	17,090	
Materials and supplies	21,432	
Depreciation	240,989	
Other	199,978	
Total operating expenses	<u>1,226,813</u>	
Operating income (loss)	<u>(224,731)</u>	<u>17,441</u>
Nonoperating expenses:		
Interest expense and fiscal charges	(59,549)	
Income (loss) before transfers	(284,280)	17,441
Transfers in	24,465	
Change in net assets	(259,815)	17,441
Net assets at beginning of year	<u>4,356,616</u>	<u>198,819</u>
Net assets at end of year	<u>\$ 4,096,801</u>	<u>\$ 216,260</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION
SANDUSKY COUNTY**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

	Business-Type Activities - Sanitary Sewer	Governmental Activities - Internal Service Fund
Cash flows from operating activities:		
Cash received from sales/service charges	\$ 969,955	\$ 17,441
Cash received from other operating revenue	42,179	
Cash payments for personal services	(270,605)	
Cash payments for contract services	(481,135)	
Cash payments for utilities	(17,090)	
Cash payments for materials and supplies	(20,856)	
Cash payments for other expenses	(191,100)	
	31,348	17,441
Net cash provided by operating activities		
Cash flows from noncapital financing activities:		
Transfers in from other funds	24,465	
Cash used in repayment of interfund loans	(12,000)	
	12,465	
Net cash provided by noncapital financing activities		
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(6,564)	
Principal payments on bonds	(40,000)	
Interest payments on bonds	(10,575)	
Principal payments on loans	(51,206)	
Interest payments on loans	(24,512)	
OWPC loan issuance	6,564	
	(126,293)	
Net cash used in capital and related financing activities		
Net increase (decrease) in cash and cash equivalents	(82,480)	17,441
Cash and cash equivalents at beginning of year	873,544	198,819
Cash and cash equivalents at end of year	\$ 791,064	\$ 216,260
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ (224,731)	\$ 17,441
Adjustments:		
Depreciation	240,989	
Changes in assets and liabilities:		
Decrease in accounts receivable	11,023	
(Increase) in special assessments receivable	(971)	
(Increase) in prepayments	(76)	
(Decrease) in accounts payable	(11,853)	
Increase in accrued wages and benefits	1,735	
Increase in due to other governments	14,192	
Increase in compensated absences payable	1,040	
	31,348	17,441
Net cash provided by operating activities	\$ 31,348	\$ 17,441

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION
SANDUSKY COUNTY**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2008

	Investment Trust	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 4,044,281	\$ 5,711,938
Cash in segregated accounts		792,796
Receivables:		
Real estate and other taxes		39,460,405
Accounts	171,062	95,661
Special assessments		604,523
Due from other governments	2,990	2,922,216
Accrued interest	23,608	
Total assets	4,241,941	\$ 49,587,539
Liabilities:		
Accounts payable		\$ 73,897
Due to other governments		121,276
Undistributed monies		48,599,570
Deposits held and due to others		792,796
Total liabilities		\$ 49,587,539
Net assets:		
Net assets available for pool participants	4,241,941	
Total net assets	\$ 4,241,941	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION
SANDUSKY COUNTY**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
INVESTMENT TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Investment Trust</u>
Net increase in net assets resulting from operations	\$ 144,699
Share transactions:	
Purchase of units	5,866,138
Redemptions of units	<u>(4,783,355)</u>
Net increase in net assets and shares resulting from share transactions	<u>1,082,783</u>
Change in net assets	1,227,482
Net assets at beginning of year	<u>3,014,459</u>
Net assets at end of year	<u><u>\$ 4,241,941</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

NOTE 1 - DESCRIPTION OF THE COUNTY

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

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

POTENTIAL COMPONENT UNITS REPORTED AS AGENCY FUNDS

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

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

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

JOINT VENTURES WITH EQUITY INTEREST

Ottawa, Sandusky, and Seneca County Solid Waste District

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

The counties share in the equity of the District is based on relative percentages of population within the three counties. Based upon this calculation, Sandusky County's equity interest in the District is \$1,056,482 at December 31, 2008. Financial information can be obtained from the Sandusky County Auditor, 100 North Park Avenue, Fremont, Ohio 43420.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

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

Sandusky County - Seneca County - City of Tiffin Port Authority

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

Upon dissolution of the Port Authority, any balance remaining in the Port Authority's funds or any real or personal property belonging to the Port Authority will be distributed equally to the city and the counties after paying all expenses and debts. Sandusky County's equity interest in the Port Authority is \$1,158,046 at December 31, 2008. Financial information can be obtained from the Sandusky County - Seneca County - City of Tiffin Port Authority, James Sulpance, Chairman, P.O. Box 767, Tiffin, Ohio 44883.

Mental Health and Recovery Services

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

The counties share in the equity of the MHRS Board based on the percentages of population within the three counties. Sandusky County's equity interest in this joint venture at December 31, 2008 is \$1,256,122.

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

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

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

SHARED RISK POOL

County Risk Sharing Authority, Inc. (CORSA)

The County Risk Sharing Authority, Inc., is a jointly governed organization among forty-one counties in Ohio. CORSA was formed as an Ohio nonprofit corporation for the purpose of establishing the CORSA Insurance/Self-Insurance Program, a group primary and excess insurance/self-insurance and risk management program. Member counties agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverages provided by CORSA. These coverages include comprehensive general liability, automobile liability, certain property insurance and public officials' errors and omissions liability insurance. The County paid \$235,349 to CORSA during 2008.

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

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

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

INSURANCE PURCHASING POOL

County Commissioners Association of Ohio Workers' Compensation Group Rating Plan

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

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

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

RELATED ORGANIZATION

Sandusky County Airport Authority

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

B. Basis of Presentation

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

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

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

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

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

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

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

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

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

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

C. Fund Accounting

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

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

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

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

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

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

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

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

PROPRIETARY FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

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

COMPONENT UNITS

Component units are either legally separate organizations for which the elected officials of the County are not financially accountable, or legally separate organizations for which the nature and significance of its relationship with the County is such that exclusion would not cause the County's financial statement to be misleading or incomplete. There were no component units for the County in 2008.

D. Basis of Accounting

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

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

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

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

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

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

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

Property taxes for which there is an enforceable legal claim as of December 31, 2008, but which were levied to finance 2009 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as unearned revenue. Special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2008, are recorded as deferred revenue in the governmental funds.

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

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

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

E. Budgetary Data

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

The certificate of estimated resources may be amended during the year if projected increases or the County Auditor identifies decreases in revenue. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts are on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during 2008.

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

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

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

F. Cash and Investments

To improve cash management, cash received by the County is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the County's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements.

During 2008, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), federal agency securities, repurchase agreements, corporate bonds and certificates of deposits. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and certificates of deposit are reported at cost.

The County has invested funds in STAR Ohio during 2008. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the Securities and Exchange Commission (SEC) as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on December 31, 2008.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during 2008 amounted to \$1,210,058 which includes \$1,072,100 assigned from other County funds.

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

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

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

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

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

G. External Investment Pool

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

Condensed financial information for the investment pool is as follows:

**Statement of Net Assets
December 31, 2008**

<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 33,888,906
Accrued interest receivable	<u>159,131</u>
Total	<u>\$ 34,048,037</u>
<u>Net assets held in trust for participants</u>	
Internal portion	\$ 29,806,096
External portion	<u>4,241,941</u>
Total	<u>\$ 34,048,037</u>

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

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

**Statement of Changes in Net Assets
For the Year Ended December 31, 2008**

<u>Revenue:</u>	
Interest income	\$ 1,405,875
<u>Expenses:</u>	
Operating expenses	
Net increase in assets resulting from operations	1,405,875
Distribution to pool participants	(1,361,879)
<u>Capital transactions</u>	
Proceeds of investments sold	(33,265,532)
Purchase of investments	33,888,906
Total increase in net assets	667,370
Net assets, beginning of year	33,380,667
Net assets, end of year	\$ 34,048,037

H. Inventories of Materials and Supplies

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

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

I. Capital Assets

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

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

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

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

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

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

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

Capitalized interest is amortized on the straight-line method over the estimated useful life of the asset. For 2008, the net interest expense incurred on proprietary fund construction projects was not material.

J. Compensated Absences

Compensated absences of the County consist of vacation leave and sick leave to the extent that payment to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the County and the employee.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is based on the sick leave accumulated at December 31, 2008, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. Sick leave benefits are accrued using the vesting method. The County records a liability for accumulated unused sick leave after fifteen years of service with the County or over fifty years of age.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at December 31, 2008 and reduced to the maximum payment allowed by labor contract and/or statute, plus applicable additional salary related payments.

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

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

K. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2008, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At year-end, because payments are not available to finance future governmental fund expenditures the fund balance is reserved by an amount equal to the carrying value of the asset.

L. Loans Receivable

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

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

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

M. Accrued Liabilities and Long-term Obligations

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

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

N. Interfund Transactions

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

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

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

O. Fund Balance Reserves

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

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

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

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

P. Operating Revenues and Expenses

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

Q. Contributions of Capital

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

R. Net Assets

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

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

S. Estimates

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

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the County administration and that are either unusual in nature or infrequent in occurrence. The County had no extraordinary or special items during 2008.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For 2008, the County has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations" and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the County; however, certain disclosures related to postemployment benefits (see Note 16) have been modified to conform to the new reporting requirements.

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

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the County.

B. Deficit Fund Balances

Fund balances at December 31, 2008 included the following individual fund deficits:

<u>Nonmajor governmental funds:</u>	<u>Deficit</u>
Youth services subsidy grant	\$ 45,749
VOCA grant	1,496
NBI grant	59
HVEO grant	4,704
Americorp grant	11,363
Work release earnings	27,492
EB justice grant	4,108

These funds, except for the Youth services subsidy grant fund, Americorp grant fund and the EB justice grant fund, complied with Ohio State law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances in the remaining funds resulted from adjustments for accrued liabilities.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County.
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in items (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasury Asset Reserve of Ohio (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in items (1) or (2) above or cash or both securities and cash, equal value for equal value;
9. High grade commercial paper for a period not to exceed 180 days and in an amount not to exceed twenty-five percent of the County's total average portfolio; and,

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

10. Bankers acceptances for a period not to exceed 180 days and in an amount not to exceed twenty-five percent of the County's total average portfolio.

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

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

A. Cash on Hand

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

B. Cash in Segregated Accounts

At year end, \$1,228,767 was on deposit in segregated accounts used by various County departments, and included in the total amount of deposits reported below; however, this amount is not part of the internal cash pool reported on the financial statements as "equity in pooled cash and cash equivalents". The carrying value of these deposits was \$792,796 at December 31, 2008.

C. Deposits with Financial Institutions

At December 31, 2008, the carrying amount of all County deposits, including nonnegotiable certificates of deposit and cash in segregated accounts, was \$13,602,151. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2008, \$13,202,960 of the County's bank balance of \$14,921,489 was exposed to custodial risk as discussed below, while \$1,718,529 was covered by the FDIC.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

D. Investments

As of December 31, 2008, the County had the following investments and maturities:

Investment type	Fair Value	Investment Maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
STAR Ohio	\$ 9,938,602	\$ 9,938,602				
FHLB	549,065					\$ 549,065
FHLMC	2,708,037					2,708,037
Corporate bonds	5,848,857				\$ 5,848,857	
FNMA	2,033,440		\$ 1,026,560	\$ 1,006,880		
Total	<u>\$ 21,078,001</u>	<u>\$ 9,938,602</u>	<u>\$ 1,026,560</u>	<u>\$ 1,006,880</u>	<u>\$ 5,848,857</u>	<u>\$ 3,257,102</u>

The weighted average maturity of investments is 1.30 years.

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

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

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

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The County places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the County at December 31, 2008:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
STAR Ohio	\$ 9,938,602	47.15
FHLB	549,065	2.60
FHLMC	2,708,037	12.85
FNMA	2,033,440	9.65
Corporate bonds	<u>5,848,857</u>	<u>27.75</u>
Total	<u>\$ 21,078,001</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of December 31, 2008:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 13,602,151
Investments	21,078,001
Cash on hand	<u>1,550</u>
Total	<u>\$ 34,681,702</u>

<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 23,341,623
Business-type activities	791,064
Investment trust	4,044,281
Agency funds	<u>6,504,734</u>
Total	<u>\$ 34,681,702</u>

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund transfers for the year ended December 31, 2008, consisted of the following, as reported on the fund financial statements:

<u>Transfer from</u>	<u>Transfer to</u>			<u>Total</u>
	<u>Human Services</u>	<u>Nonmajor Governmental</u>	<u>Sanitary Sewer</u>	
General	\$ 117,764	\$ 1,629,833	\$ 24,465	\$ 1,772,062
Nonmajor governmental		91,530		91,530
Total	<u>\$ 117,764</u>	<u>\$ 1,721,363</u>	<u>\$ 24,465</u>	<u>\$ 1,863,592</u>

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

- B. Interfund loans payable/receivable consisted of the following at December 31, 2008:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 10,000
Nonmajor governmental fund	Sanitary sewer enterprise fund	36,000
Total		<u>\$ 46,000</u>

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

- C. Due to/from other funds consisted of the following at December 31, 2008:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 62,418

The purpose of these interfund transactions was to cover deficit cash balances at December 31, 2008. This amount will be repaid in the next fiscal year. Amounts due between governmental funds are eliminated on the government-wide financial statements.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

NOTE 6 - PROPERTY TAXES

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

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2008 public utility property taxes became a lien December 31, 2007, are levied after October 1, 2008, and are collected in 2009 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

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

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the County due to the phasing out of the tax. In calendar years 2008-2010, the County will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The County Treasurer collects property taxes on behalf of all taxing districts in the County. The County Auditor periodically remits to the taxing districts their portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2008 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by unearned revenue since the current taxes were not levied to finance 2008 operations and the collection of delinquent taxes has been offset by deferred revenue since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

NOTE 6 - PROPERTY TAXES - (Continued)

The full tax rate for all County operations, excluding 911 operations, for the year ended December 31, 2008, was \$7.80 per \$1,000 of assessed value. The full tax rate for the County 911 operations, excluding the City of Bellevue and Village of Green Springs, for the year ended December 31, 2008, was \$.30 per \$1,000 of assessed value. The assessed values of real property, public utility property and tangible personal property upon which the 2008 property tax receipts were based are as follows:

<u>Real property</u>	
Residential/agricultural	\$ 870,808,540
Commercial/industrial/mineral	185,889,790
Tangible personal property	38,560,580
<u>Public utility</u>	
Real	594,020
Personal	<u>38,936,700</u>
Total assessed value	<u><u>\$ 1,134,789,630</u></u>

NOTE 7 - PERMISSIVE SALES AND USE TAX

In 1979, the County Commissioners, by resolution, imposed a 0.5 percent tax on all retail sales made in the County, except sales of motor vehicles. In 1989, the percentage increased to 1 percent. In 2005, an additional .25 percent tax was levied and earmarked solely for Emergency Medical Services. The tax included the storage, use, or consumption of tangible personal property in the County, including motor vehicles not subject to the sales tax. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the State Auditor the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of each month. The State Auditor then has five days in which to draw the warrant payable to the County.

Proceeds of the tax are credited entirely to the General Fund and Emergency Medical System Fund, a nonmajor governmental fund. Amounts that are measurable and available at year end are accrued as revenue on the fund financial statements. Permissive sales and use tax revenue totaled \$7,249,096 in 2008.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2008, consisted of taxes, accounts (billings for user charged services), interfund transactions related to charges for goods and services rendered, intergovernmental receivables arising from grants, entitlements and shared revenue, special assessments, accrued interest, and loans. All intergovernmental receivables have been classified as "due from other governments" on the financial statements. Receivables have been recorded as described in Note 2.D. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of Federal funds.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

NOTE 8 - RECEIVABLES - (Continued)

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

Governmental activities:

Sales taxes	\$ 966,049
Real estate and other taxes	7,225,771
Accounts	539,119
Special assessments	287,916
Accrued interest	135,523
Due from other governments	5,293,391
Loans	222,310

Business-type activities:

Accounts	80,476
Special assessments	8,209

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

NOTE 9 - LOANS RECEIVABLE

The County, through the community development block grant program, makes low-interest or interest-free loans to small businesses in the County. The activity for these loans is accounted for in the revolving loan fund, a nonmajor governmental fund. The following is a summary of the changes in the loans receivable during 2008.

Loans receivable at 12/31/07	\$ 136,333
Principal payments received in 2008	(19,023)
Loans issued in 2008	<u>105,000</u>
Loans receivable at 12/31/08	<u>\$ 222,310</u>

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

NOTE 10 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended December 31, 2008 was as follows:

<u>Governmental activities:</u>	Balance 12/31/2007	Additions	Deductions	Balance 12/31/2008
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,407,198			\$ 1,407,198
Construction in progress	28,356	\$ 62,824		91,180
Total capital assets not being depreciated:	<u>1,435,554</u>	<u>62,824</u>		<u>1,498,378</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,208,848	175,523		1,384,371
Buildings and improvements	23,145,017	145,036		23,290,053
Furniture and equipment	5,161,283	376,290		5,537,573
Vehicles	5,503,329	594,201	\$ (251,484)	5,846,046
Infrastructure	38,112,636	2,075,560	(935,598)	39,252,598
Total capital assets, being depreciated:	<u>73,131,113</u>	<u>3,366,610</u>	<u>(1,187,082)</u>	<u>75,310,641</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(806,864)	(46,709)		(853,573)
Buildings and improvements	(9,368,792)	(559,929)		(9,928,721)
Furniture and equipment	(3,123,530)	(303,145)		(3,426,675)
Vehicles	(3,676,643)	(412,717)	164,219	(3,925,141)
Infrastructure	(14,108,111)	(1,284,016)	502,179	(14,889,948)
Total accumulated depreciation	<u>(31,083,940)</u>	<u>(2,606,516)</u>	<u>666,398</u>	<u>(33,024,058)</u>
Total capital assets, being depreciated net	<u>42,047,173</u>	<u>760,094</u>	<u>(520,684)</u>	<u>42,286,583</u>
Governmental activities capital assets, net	<u>\$ 43,482,727</u>	<u>\$ 822,918</u>	<u>\$ (520,684)</u>	<u>\$ 43,784,961</u>

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

NOTE 10 - CAPITAL ASSETS - (Continued)

<u>Business-type activities:</u>	Balance <u>12/31/2007</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>12/31/2008</u>
<i>Capital asset not being depreciated:</i>				
Land	\$ 11,828			\$ 11,828
Construction in progress	58,583	\$ 6,564		65,147
Total capital assets not being depreciated:	<u>70,411</u>	<u>6,564</u>		<u>76,975</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	105,384			105,384
Buildings and improvements	667,123			667,123
Furniture and equipment	654,508			654,508
Vehicles	129,857			129,857
Infrastructure	8,757,567			8,757,567
Total capital assets, being depreciated:	<u>10,314,439</u>			<u>10,314,439</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(49,946)	(4,470)		(54,416)
Buildings and improvements	(483,576)	(19,672)		(503,248)
Furniture and equipment	(394,646)	(32,920)		(427,566)
Vehicles	(101,689)	(8,775)		(110,464)
Infrastructure	(4,217,837)	(175,152)		(4,392,989)
Total accumulated depreciation	<u>(5,247,694)</u>	<u>(240,989)</u>		<u>(5,488,683)</u>
Total capital assets, being depreciated net	<u>5,066,745</u>	<u>(240,989)</u>		<u>4,825,756</u>
Business-type activities capital assets, net	<u>\$ 5,137,156</u>	<u>\$ (234,425)</u>		<u>\$ 4,902,731</u>

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

<u>Governmental activities:</u>	
Legislative and executive	\$ 284,583
Judicial	60,725
Public safety	428,112
Public works	1,494,351
Health	70,621
Human services	<u>268,124</u>
Total depreciation expense - governmental	<u>\$ 2,606,516</u>
<u>Business-type activities:</u>	
Sanitary sewer	<u>\$ 240,989</u>

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

NOTE 11 - CAPITAL LEASES - LESSEE DISCLOSURE

During 2008, the County entered into two lease agreements for copier equipment and a lease agreement for printers. In a prior year, the County entered two lease agreements for copier equipment. These lease agreements meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers the benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reported as function expenditures in the budgetary statements.

General capital assets consisting of equipment and vehicles have been capitalized in the statement of net assets in the amount of \$86,894. This amount represents the present value of the minimum lease payments at the time of the lease inception. A corresponding liability was recorded in the statement of net assets. Accumulated depreciation as of December 31, 2008 was \$17,971, leaving a current book value of \$68,923. During 2008, principal and interest payments totaled \$12,611 and \$4,225, respectively, paid by the general fund and the County Board of MRDD fund. As of December 31, 2008, the liability for capital lease obligation included in the long-term liabilities of governmental activities totaled \$70,017.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2008:

<u>Year Ended December 31,</u>	<u>Amount</u>
2009	\$ 22,771
2010	20,471
2011	17,250
2012	14,989
2013	6,148
2014	<u>424</u>
Total	82,053
Less: amount representing interest	<u>(12,036)</u>
Present value of net minimum lease payments	<u>\$ 70,017</u>

NOTE 12 - COMPENSATED ABSENCES

County employees earn vacation leave at varying rates ranging from two to five weeks per year. Accumulated vacation cannot exceed three times the annual accumulation rate for an employee. All accumulated, unused vacation time is paid upon separation from the County. Sick leave is accumulated at the rate of three weeks per year. Upon retirement, employees hired before August 12, 1982, are entitled to 100 percent of their accumulated sick leave up to a maximum of 260 days. Employees hired after August 12, 1982, with seven years of service are entitled to 25 percent of their accumulated sick leave up to a maximum of 30 days.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

NOTE 13 - LONG-TERM OBLIGATIONS

Long-term obligation activity for the fiscal year ended December 31, 2008 was as follows:

<u>Governmental activities:</u>	Interest Rate	Balance 12/31/07	Additions	Reductions	Balance 12/31/08	Amount Due in One Year
<u>General obligation bonds:</u>						
Various Purpose/Improvement and Refunding - 2002	2.25-5%	\$ 4,645,000		\$ (305,000)	\$ 4,340,000	\$ 315,000
Total general obligation bonds		<u>4,645,000</u>		<u>(305,000)</u>	<u>4,340,000</u>	<u>315,000</u>
<u>Special assessment bonds:</u>						
Devries Ditch	5.00%	2,926		(2,926)	-	-
Walter Cramer Ditch	5.00%	1,608		(1,608)	-	-
Loy Ditch	3.50%	11,601		(2,900)	8,701	2,900
Nighswander Ditch	3.00%	3,440		(860)	2,580	860
Carroll Russell Ditch	3.50%	2,718		(679)	2,039	680
Bierly Ditch	3.00%	939		(235)	704	235
Williams Ditch	5.00%	8,167		(1,633)	6,534	1,634
Lewis Ditch	5.00%	4,815		(2,408)	2,407	2,407
Gries Ditch	4.30%	177,329		(29,555)	147,774	29,555
Havens Ditch	6.00%	10,119		(2,024)	8,095	2,024
Trick Ditch	5.00%	32,257		(10,752)	21,505	10,752
Gschwind Ditch	6.00%	17,644		(5,881)	11,763	5,881
Total special assessment bonds		<u>273,563</u>		<u>(61,461)</u>	<u>212,102</u>	<u>56,928</u>
<u>Notes payable:</u>						
County Court Facilities - 2007	4.25%	230,000		(230,000)		
County Court Facilities - 2008	6.00%		\$ 155,000		155,000	155,000
Total notes payable		<u>230,000</u>	<u>155,000</u>	<u>(230,000)</u>	<u>155,000</u>	<u>155,000</u>
<u>Other long-term obligations:</u>						
Compensated absences payable		2,410,389	923,749	(935,215)	2,398,923	1,120,586
Capital lease obligations		42,145	40,483	(12,611)	70,017	17,814
Total other long-term obligations		<u>2,452,534</u>	<u>964,232</u>	<u>(947,826)</u>	<u>2,468,940</u>	<u>1,138,400</u>
Total governmental obligations		<u>\$ 7,601,097</u>	<u>\$ 1,119,232</u>	<u>\$ (1,544,287)</u>	<u>\$ 7,176,042</u>	<u>\$ 1,665,328</u>

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

<u>Business-type activities:</u>	<u>Interest Rate</u>	<u>Balance 12/31/07</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/08</u>	<u>Amount Due in One Year</u>
<u>General obligation bonds:</u>						
Sewer District #1 - 1980	9.00%	\$ 120,000		\$ (40,000)	\$ 80,000	\$ 40,000
<u>Ohio Water Pollution Control loan:</u>						
State Route 6 Sanitary Sewer Design	2.75%	58,583	\$ 6,564	(7,242)	57,905	7,342
Sandusky/Rice Joint Sewer Improvement	4.16%	845,379		(24,840)	820,539	77,664
Rice Township Sewer Improvement	4.16%	226,954		(6,669)	220,285	20,850
Rice Township/Shorewood Sewer Improvements	3.64%	35,265		(1,023)	34,242	3,182
Route 53 Area Sewers	3.64%	86,093		(2,280)	83,813	7,093
Total OWPC Loans		<u>1,252,274</u>	<u>6,564</u>	<u>(42,054)</u>	<u>1,216,784</u>	<u>116,131</u>
<u>Ohio Public Works Commission loans:</u>						
Sunny Acres Sewer Improvements	N/A	32,399		(1,246)	31,153	3,738
Rice Township Sewer Improvements - Phase II	N/A	89,678		(3,203)	86,475	9,609
Rice/Sandusky Sewer Improvements	N/A	141,073		(4,703)	136,370	14,108
Total OPWC Loans		<u>263,150</u>		<u>(9,152)</u>	<u>253,998</u>	<u>27,455</u>
<u>Other long-term obligations:</u>						
Compensated absences payable		11,142	9,048	(8,008)	12,182	8,954
Total business-type obligations		<u>\$ 1,646,566</u>	<u>\$ 15,612</u>	<u>\$ (99,214)</u>	<u>\$ 1,562,964</u>	<u>\$ 192,540</u>

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

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

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

In 2008 the County repaid \$230,000 in bond anticipation notes that were outstanding at December 31, 2007. In addition, the County issued \$155,000 in bond anticipation notes on September 26, 2008 to finance County Court facilities. These notes mature on September 25, 2009.

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

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

The County entered into three debt financing arrangements through the Ohio Public Works Commission (OPWC) to fund sewer improvements. The amounts due to the OPWC are payable solely from operating revenues. The loan agreements function similar to a line-of-credit agreement. At December 31, 2008, the County has outstanding borrowings of \$244,847. The loan agreements require semi-annual payments based on the actual amount loaned. The OPWC loans are interest free. The loans are payable from the sanitary sewer fund.

The County entered into five debt financing arrangements through the Ohio Water Pollution Control Loan Fund (OWPCLF) to fund sewer improvements. The amounts due to the OWPCLF are payable solely from operating revenues. The loan agreements function similar to a line-of-credit agreement. At December 31, 2008, the County has outstanding borrowings of \$1,216,784. The State Route 6 Loan has not been fully disbursed as of December 31, 2008 and is not included in the amortization schedules shown below. The loan agreements require semi-annual payments based on the actual amount loaned. The loans are payable from the sanitary sewer fund.

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

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

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

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

The Code further provides that the total voted and unvoted net debt of the County, less the same exempt debt, shall never exceed a sum equal to three percent of the first \$100,000,000 of the assessed valuation, plus one and one-half percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus two and one-half percent of such valuation in excess of \$300,000,000. The assessed valuation used in determining the County's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in calculating the County's legal debt margin calculation excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. Based on this calculation, the County's voted legal debt margin was \$22,410,928 at December 31, 2008 and the unvoted legal debt margin was \$7,432,299 at December 31, 2008.

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

Year Ended	General Obligation Bonds			Special Assessment Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 315,000	\$ 195,465	\$ 510,465	\$ 56,928	\$ 9,543	\$ 66,471
2010	315,000	182,865	497,865	54,521	6,900	61,421
2011	325,000	170,265	495,265	37,887	4,377	42,264
2012	325,000	156,453	481,453	33,212	2,745	35,957
2013	335,000	142,803	477,803	29,554	1,271	30,825
2014 - 2018	1,795,000	484,623	2,279,623			
2019 - 2022	930,000	101,173	1,031,173			
Total	\$ 4,340,000	\$ 1,433,647	\$ 5,773,647	\$ 212,102	\$ 24,836	\$ 236,938

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

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

Year Ended	OWPC Loans			OPWCLF Loans		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 27,455		\$ 27,455	\$ 108,789	\$ 69,187	\$ 177,976
2010	18,302		18,302	76,304	42,347	118,651
2011	18,301		18,301	79,473	39,178	118,651
2012	18,301		18,301	82,774	35,877	118,651
2013	91,513		91,513	86,212	32,438	118,650
2014 - 2018	75,424		75,424	487,858	105,396	593,254
2019 - 2023	4,702		4,702	237,469	13,038	250,507
Total	\$ 253,998		\$ 253,998	\$ 1,158,879	\$ 337,461	\$ 1,496,340

Year Ended	General Obligation Bonds		
	Principal	Interest	Total
2009	\$ 40,000	\$ 7,200	\$ 47,200
2010	40,000	3,600	43,600
Total	\$ 80,000	\$ 10,800	\$ 90,800

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

NOTE 14 - RISK MANAGEMENT

A. General Insurance

The County is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2008, the County contracted with County Risk Sharing Authority (CORSA) for liability, property and crime insurance. The CORSA program has a \$2,500 deductible. Coverages provided by CORSA are as follows:

<u>Type of Coverage</u>	<u>Amount</u>
General Liability (per occurrence)	\$ 1,000,000
Law Enforcement Liability (per occurrence)	1,000,000
Automobile Liability and Physical Damage Liability (per occurrence)	1,000,000
Medical payments	
Per Person	5,000
Per Occurrence	50,000
Uninsured Motorist (per person)	250,000
Errors and Omissions	1,000,000
Excess Liability	1,000,000
Property	88,400,000
Equipment Breakdown	100,000,000
Crime Insurance:	
Faithful Performance	1,000,000

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

B. Health and Vision Insurance

The County provides comprehensive health and vision insurance coverage to its employees through a traditionally funded plan. The County purchases commercial health insurance coverage through Community Health Plan of Ohio. The County pays 87% of the monthly premium while the employee pays 13%. The entire risk of loss transfers to the commercial insurance carrier. The County's monthly premium requirement is as follows:

	<u>Family Coverage</u>	<u>Single Coverage</u>
SummaCare	\$ 1,000.83	\$ 408.92

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

NOTE 14 - RISK MANAGEMENT - (Continued)

C. Insurance Purchasing Pool

For 2008, the County participated in the County Commissioners Association of Ohio Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool (see Note 2). The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. In order to allocate the savings derived by formation of the Plan, and to maximize the number of participants in the Plan, the Plan's executive committee annually calculates the total savings which accrued to the Plan through its formation. This savings is then compared to the overall savings percentage of the Plan. The Plan's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. Participation in the Plan is limited to counties that can meet the Plan's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the Plan. Each year, the County pays an enrollment fee to the Plan to cover the costs of administering the program.

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

In prior years, the County paid the State Workers' Compensation System using a retrospective rating plan. The County continues to pay claims resulting from this plan. The activity is accounted for in an internal service fund. The County did not have any claims for fiscal year 2008. The claims activity for fiscal year 2007 is as follows:

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

D. Natural Gas

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

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

NOTE 14 - RISK MANAGEMENT - (Continued)

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

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

NOTE 15 – DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

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

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

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2008, member and contribution rates were consistent across all three plans. While members in the State and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Plan. The 2008 member contribution rates were 10.00% for members in State and local classifications. Public safety and law enforcement members contributed 10.10%.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

NOTE 15 - PENSION PLANS - (Continued)

The County's contribution rate for 2008 was 14.00%, except for those plan members in law enforcement or public safety, for whom the County's contribution was 17.40% of covered payroll. For 2008, a portion equal to 7.00% of covered payroll was allocated to fund the post-employment health care plan.

The County's contribution rate for pension benefits for 2008 was 7.00%, except for those plan members in law enforcement and public safety. For those classifications, the County's pension contributions were 10.40% of covered payroll. The County's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2008, 2007, and 2006 were \$1,342,995, \$1,555,837 and \$1,499,355, respectively; 88.79% has been contributed for 2008 and 100% has been contributed for 2007 and 2006.

B. State Teachers Retirement System

Plan Description - Certified teachers, employed by the school for Mental Retardation and Developmental Disabilities, participate in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

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

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

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

NOTE 15 - PENSION PLANS - (Continued)

Funding Policy - For fiscal year 2008, plan members were required to contribute 10.00% of their annual covered salaries. The County was required to contribute 14.00%; 13.00% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to STRS Ohio for the years ended December 31, 2008, 2007, and 2006 were \$45,334, \$40,652 and \$42,639, respectively; 100% has been contributed for fiscal years 2008, 2007 and 2006. There were no contributions made to the DC and Combined Plans for fiscal year 2008.

NOTE 16 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

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

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. The Ohio Revised Code permits, but does mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

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

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2008, local government employers contributed 14.00% of covered payroll (17.40% for public safety and law enforcement). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The amount of the employer contributions which was allocated to fund post-employment healthcare for 2008 was 7.00% of covered payroll.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

NOTE 16 - POSTRETIREMENT BENEFIT PLANS - (Continued)

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

The County's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2008, 2007, and 2006 were \$1,271,472, \$979,132 and \$840,309, respectively; 88.79% has been contributed for 2008 and 100% has been contributed for 2007 and 2006.

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

B. State Teachers Retirement System

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1.00% of covered payroll to the Health Care Stabilization Fund. The County's contributions for health care for the fiscal years ended December 31, 2008, 2007, and 2006 were \$3,487, \$3,127 and \$3,280, respectively; 100% has been contributed for fiscal years 2008, 2007 and 2006.

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

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

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as payables (GAAP basis);
- (d) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (e) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

Net Change in Fund Balances

	Major Governmental Funds			
	General	Motor Vehicle and Gas Tax	Human Services	County Board of MR/DD
Budget basis	\$ (617,145)	\$ 341,098	\$ (1,826,426)	\$ 397,928
Net adjustment for revenue accruals	(106,430)	886,025	(7,802)	(125,991)
Net adjustment for expenditure accruals	(142,843)	(1,043,161)	12,399	(148,480)
Net adjustment for other financing sources/(uses) accruals	(211,517)	122,530		
Encumbrances (budget basis)	148,233	46,637	450,926	126,295
GAAP basis	\$ (929,702)	\$ 353,129	\$ (1,370,903)	\$ 249,752

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

NOTE 18 - CONTINGENT LIABILITIES

A. Grants

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

B. Litigation

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

NOTE 19 - CONDUIT DEBT OBLIGATIONS

From time to time, the County has issued Industrial Revenue Bonds and Health Care Facility Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the County, the State, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2008, there are four series of Industrial Revenue Bonds outstanding, aggregate principal \$6,274,033; and four series of Health Care Facility Bonds outstanding, aggregate principal \$27,411,421.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2008**

FEDERAL GRANTOR <i>Pass Through Grantor</i>	Pass Through Entity Number	Federal CFDA Number	Disbursements
Program Title			
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education</i>			
<u>Nutrition Cluster</u>			
National School Lunch Program			
NonCash Assistance (Food Distribution)	FY 2008	10.555	\$7,270
Cash Assistance	FY 2008		33,503
Total National School Lunch Program			40,773
School Breakfast Program	FY 2008	10.553	16,756
Total U.S. Department of Agriculture			57,529
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education</i>			
<u>Special Education Cluster</u>			
Special Education Grants to States	066233-6B-SF-2008	84.027	26,929
	066233-6B-SF-2009		11,080
Total Special Education Grants to States			38,009
Special Education Preschool Grants	066233-6B-SF-2008	84.173	2,739
	066233-PG-SI-2009		1,690
Total Special Education Preschool Grants			4,429
Total Special Education Cluster			42,438
State Grants for Innovative Programs	066233-C2-SI-2008	84.298	238
	066233-C2-SI-2009		8
Total State Grants for Innovative Programs			246
Total U.S. Department of Education			42,684
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed Through Ohio Department of Development</i>			
Community Development Block Grants	B-F-06-067-1	14.228	101,770
	B-F-07-067-1		48,375
	B-C-07-067-1		90,628
CDBG Revolving Loans	N/A		105,000
Total Community Development Block Grants			345,773
HOME Investment Partnerships Program	B-C-05-067-2	14.239	46,738
Total U.S. Department of Housing and Urban Development			392,511
U.S. DEPARTMENT OF JUSTICE			
<i>Passed Through Attorney General's Office of Crime Victims Assistance</i>			
Crime Victim Assistance	2007-VAGENE251T	16.575	24,238
	2008-SAGENE251T		7,272
Total U.S. Department of Justice			31,510

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2008**

FEDERAL GRANTOR <i>Pass Through Grantor</i>	Pass Through Entity Number	Federal CFDA Number	Disbursements
Program Title			
U.S. DEPARTMENT OF LABOR			
<i>Passed Through Montgomery County - WIA Area 7</i>			
Employment Service/Wagner-Peyser Act Funded Activities (SFY08)	N/A	17.207	2,672
<u>Workforce Investment Act Cluster</u>			
WIA-Adult Programs (SFY 07)	N/A	17.258	46,882
WIA-Adult Programs (SFY 07)-Admin	N/A		2,172
WIA-Adult Programs (SFY 08)	N/A		168,352
WIA-Adult Programs (SFY 08)-Admin	N/A		8,256
WIA-Adult Programs (SFY 09)	N/A		51,271
Total WIA-Adult			276,933
WIA-Youth Activities (SFY 08)	N/A	17.259	100,248
WIA-Youth Activities (SFY 09)	N/A		26,836
Total WIA-Youth			127,084
WIA-Dislocated Workers (SFY 07)	N/A	17.260	77,708
WIA-Dislocated Workers (SFY 07)-Admin	N/A		2,604
WIA-Dislocated Workers (SFY 08)	N/A		157,900
WIA-Dislocated Workers (SFY 08)-Admin	N/A		13,448
WIA-Dislocated Workers (SFY 09)	N/A		154,169
Total WIA-Dislocated Workers			405,829
Total WIA Cluster			809,846
Total U.S. Department of Labor			812,518
U.S. DEPARTMENT OF HOMELAND SECURITY			
<i>Passed Through Ohio Emergency Management Agency</i>			
<u>Homeland Security Cluster</u>			
Emergency Management Performance Grants	2007-EM-E7-0085	97.042	9,332
	2007-EM-E7-0024		11,514
	2008-EM-E8-0002		13,349
Total Emergency Management Performance Grant			34,195
Homeland Security Program	2007 GE-T7-0030	97.067	64,009
Total Homeland Security Cluster			98,204
Law Enforcement Terrorism Prevention Program	2006-GL-T6-0051	97.074	26,732
Total U.S. Department of Homeland Security			124,936

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2008**

FEDERAL GRANTOR <i>Pass Through Grantor</i>	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through Ohio Department of Developmental Disabilities:</i>			
Medical Assistance Program			
Day Habilitation Level One	N/A	93.778	17,075
Day Habilitation I/O	N/A		843,780
Targeted Case Management	N/A		497,008
Medicaid Administration	N/A		58,356
Total Medical Assistance Program			<u>1,416,219</u>
State Children's Insurance Program	N/A	93.767	<u>2,830</u>
Social Services Block Grant	N/A	93.667	<u>57,323</u>
<i>Passed Through Ohio Department of Alcohol and Drug Addiction Services:</i>			
Block Grants for Prevention and Treatment of Substance Abuse	74-03007-T-08-9181	93.959	106,257
	74-03007-T-09-9181		85,086
Total Block Grants for Prevention and Treatment of Substance Abuse			<u>191,343</u>
Total U.S. Department of Health and Human Services			<u>1,667,715</u>
U.S. CORPORATION FOR NATIONAL AND COMMUNITY SERVICES			
<i>Passed through Ohio Department of Youth Services:</i>			
AmeriCorps	JJWC-014-06	94.006	10,305
	JJWC-014-07		7,751
Total U.S. Corporation for National and Community Services			<u>18,056</u>
UNITED STATES DEPARTMENT OF TRANSPORTATION			
<i>Passed through Ohio Department of Transportation:</i>			
Highway Planning and Construction	08N042	20.205	727,921
	08N041		70,751
	08N040		149,913
Total Highway Planning and Construction			<u>948,585</u>
<i>Passed through Ohio Department of Public Safety</i>			
State and Community Highway Safety	HVEO-2008-72-00-00-00228-00	20.600	26,562
	HVEO-2009-72-00-00-00228-00		3,235
Total State and Community Highway Safety			<u>29,797</u>
Total U. S. Department of Transportation			<u>978,382</u>
TOTAL FEDERAL AWARDS EXPENDITURES			<u><u>\$4,125,841</u></u>

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

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED DECEMBER 31, 2008**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

Program regulations do not require the County to maintain separate inventory records for purchased food versus food commodities it receives from the U.S. Department of Agriculture. The County reports commodities consumed on the Schedule at the fair value.

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

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

These loans are collateralized by mortgages on the property.

Activity in the CDBG revolving loan fund during 2008 is as follows:

Beginning loans receivable balance as of January 1, 2008	\$136,333
Loans made	105,000
Loan principal repaid	19,023
Ending loans receivable balance as of December 31, 2008	<u>\$222,310</u>
Cash balance on hand in the revolving loan fund as of December 31, 2008	\$34,201
Administrative costs expended during 2008	735

The table above reports gross loans receivable. Of the loans receivable as of December 31, 2008, there were no loans more than 30 days past due.

NOTE D - MATCHING REQUIREMENTS

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

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Mary Taylor, CPA

Auditor of State

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

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

To the County Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sandusky County, (the County) as of and for the year ended December 31, 2008, which collectively comprise the County's basic financial statements and have issued our report thereon dated November 24, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

We consider findings 2008-001 and 2008-002 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

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www.auditor.state.oh.us

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

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

We also noted certain internal control matters that we reported to the County's management in a separate letter dated November 24, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2008-003.

We also noted certain noncompliance matters not requiring inclusion in this report that we reported to the County's management in a separate letter dated November 24, 2009.

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

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

Mary Taylor, CPA
Auditor of State

November 24, 2009



Mary Taylor, CPA

Auditor of State

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

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

To the County Commissioners:

Compliance

We have audited the compliance of Sandusky County (the County) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended December 31, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the County's major federal programs. The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

As described in finding 2008-004 in the accompanying schedule of findings, the County did not comply with the requirement regarding annual single audits for non-federal entities that expend \$500,000 or more in federal awards in a fiscal year. Compliance with this requirement is necessary, in our opinion, for the County to comply with requirements applicable to its federal programs.

In our opinion, except for the noncompliance described in the preceding paragraph, Sandusky County complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2008.

Internal Control Over Compliance

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

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

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

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

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

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



Mary Taylor, CPA
Auditor of State

November 24, 2009

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2008**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	Highway Planning and Construction / CFDA #20.205 Medical Assistance Program / CFDA #93.778
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2008-001

Material Weakness

Financial Reporting

As a result of the audit procedures performed, errors were noted in the financial statements that required material audit adjustments.

During 2008, intergovernmental revenue receipts were posted as refunds and reimbursements in the MR/DD Fund (\$1,416,218) and intergovernmental revenue receipts and public works expenditures were not posted within the Motor Vehicle and Gas Tax Fund (\$938,389) for funding paid directly to vendors by the Ohio Department of Transportation (ODOT). These two misstatements were brought to the attention of the County and the accompanying financial statements and the County's accounting system were adjusted during the GAAP conversion process to show these amounts in the correct funds and accounts.

In addition, intergovernmental revenue receipts were posted as taxes in the General Fund (\$882,503) and the original and final budgeted expenditure amounts did not agree to appropriations approved by the County Commissioners within the MR/DD Fund (\$747,858 and \$1,180,756). The accompanying financial statements and the County's accounting system have been adjusted to show these amounts in the correct funds and accounts. There were also twenty-eight unadjusted differences found in amounts ranging from \$7,342 to \$248,403.

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

To ensure the County's financial statements and notes to the statements are complete and accurate, the County should adopt policies and procedures, including a final review of the Independent Public Accountant's compilation report by the County Auditor, to identify and correct errors and omissions. The County Auditor should also review the County's chart of accounts to ensure all accounts are being recorded properly to the County's accounting system (receipt and disbursements ledger) and properly reported in the financial statements.

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

FINDING NUMBER 2008-002

Material Weakness

Capital Assets

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

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

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

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

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

FINDING NUMBER 2008-003

Noncompliance Citation

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

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Board can authorize the drawing of a warrant for the payment of the amount due. The Board has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$100 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Board.

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Board may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Twenty-three percent of the transactions tested were not certified by the fiscal officer at the time the commitment was incurred and there was no evidence the County followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Prior certification is not only required by Ohio law but is a key control in the disbursements process to help assure purchase commitments receive prior approval, and to help reduce the possibility of County funds being over expended or exceeding budgetary spending limitations as set by the Commissioners.

To improve controls over disbursements, we recommend all County disbursements receive prior certification of the County Auditor and the County Auditor periodically review the expenditures made to ensure they are within the appropriations adopted by the Commissioners and recorded against appropriations.

Officials' Response:

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

3. FINDINGS FOR FEDERAL AWARDS

FINDING NUMBER 2008-004

Noncompliance Citation

OMB Circular A-133 §.200 requires non-federal entities that expend \$500,000 or more in a year in federal awards shall have a single audit conducted except when they elect to have a program-specific audit conducted in accordance with paragraph **(c)** of this section. **§.320** requires the audit, data collection form and reporting package shall be submitted within the earlier of 30 days after receipt of the auditor's report or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for the audit.

The County expended greater than \$500,000 in federal awards during 2008 and was not able to have a single audit or program-specific audit completed prior to the nine month deadline due to complications with the County's new accounting system. The County did not receive an extension to this filing requirement.

This situation could compromise the County's eligibility to participate in future federal grant and/or loan programs. We recommend the County's management monitor grant activity more diligently and institute procedures to help ensure a single audit or program-specific audit is conducted when required by OMB Circular A-133.

Officials' Response:

The County Auditor acknowledges it is his responsibility to meet the filing date requirement; however, he requested an extension for the filing requirement four times and received no response from the oversight agency approving or denying the request.

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Finding for recovery repaid under audit	Yes	
2007-002	Weakness in financial reporting	No	Not Corrected. Repeated as Finding #2008-001
2007-003	Failure to maintain capital asset listing	No	Not Corrected. Repeated as Finding #2008-002
2007-004	Failure to correctly report due from other government amounts	Yes	

**FINANCIAL CONDITION
SANDUSKY COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
DECEMBER 31, 2008**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2008-001	The implementation of the new accounting system should provide the necessary reports more timely in the future.	08/31/10	William Farrell, County Auditor



Mary Taylor, CPA
Auditor of State

FINANCIAL CONDITION

SANDUSKY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 10, 2009**