



Dave Yost • Auditor of State



**SANDUSKY COUNTY**  
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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the County Commissioners:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the discretely presented component unit and remaining fund information of Sandusky County, Ohio (the County), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

**Summary of Opinions**

<b>Opinion Unit</b>	<b>Type of Opinion</b>
Governmental Activities	Unmodified
Business-Type Activities	Unmodified
Discretely Presented Component Unit	Adverse
General Fund	Unmodified
Human Services Fund	Unmodified
County Board of DD Fund	Unmodified
Sanitary Sewer Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

***Basis for Adverse Opinion on the Discretely Presented Component Unit***

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

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

***Adverse Opinion***

In our opinion, because of the significance of the matter described in the *Basis for Adverse Opinion on the Discretely Presented Component Unit* paragraph, the financial statements referred to above do not present fairly the financial position of the discretely-presented component unit of Sandusky County, Ohio, as of December 31, 2015, or the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Unmodified Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sandusky County, Ohio as of and for the year ended as of December 31, 2015, and the respective changes in its financial position and where applicable, its cash flows thereof and the respective budgetary comparisons for the General, Human Services, and County Board of DD finds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 3 to the financial statements, during the year ended December 31, 2015, the County adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding these matters.

### ***Other Matters***

#### *Required Supplementary Information*

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

#### *Supplementary and Other Information*

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

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2016, 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 internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

October 18, 2016



## SANDUSKY COUNTY

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015 UNAUDITED

The management's discussion and analysis of Sandusky County's (the "County") financial performance provides an overall review of the County's financial activities for the year ended December 31, 2015. 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 2015 are as follows:

- The total net position of the County increased \$3,446,159 over net position from 2014 as restated in Note 3A. Net position of governmental activities increased \$3,590,791, which represents a 4.84% increase over 2014. Net position of business-type activities decreased \$144,632, or 2.93% from 2014.
- General revenues accounted for \$25,956,467 or 46.86% of total governmental activities revenue. Program specific revenues accounted for \$29,439,629 or 53.15% of total governmental activities revenue.
- The County had \$51,805,305 in expenses related to governmental activities; \$29,439,629 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily property and sales taxes) of \$25,956,467 were adequate to provide for these programs.
- The general fund, the County's largest major fund, had revenues of \$18,539,978 in 2015, an increase of \$492,653 from 2014 revenues and other financing sources. The general fund had expenditures and other financing uses of \$18,990,301 in 2015, an increase of \$939,090 from 2014. The fund balance of the general fund decreased \$450,323 from 2014 to 2015.
- The human services fund, a County major fund, had revenues of \$6,333,296 in 2015. The human services fund had expenditures of \$6,097,096 in 2015. The fund balance of the human services fund increased \$236,200 from 2014 to 2015.
- The County board of developmental disabilities (DD) fund, a County major fund, had revenues of \$11,279,959 in 2015. The County board of DD fund had expenditures of \$9,240,593 in 2015. The fund balance of the County board of DD fund increased \$2,039,366 from 2014 to 2015.
- Net position for the sanitary sewer enterprise fund decreased in 2015 by \$144,632 or 2.93%.
- In the general fund, the actual revenues and other financing sources came in \$935,144 greater than they were originally budgeted and actual expenditures and other financing uses were \$22,371 less than the amount in the original budget. These variances are a result of the County's conservative budgeting process.

## SANDUSKY COUNTY

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015 UNAUDITED (CONTINUED)

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

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

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

#### **Reporting the County as a Whole**

##### *Statement of Net Position and the Statement of Activities*

The statement of net position and the statement of activities answer the question, how did we do financially during 2015? These statements include all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. The accrual basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

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

##### *Fund Financial Statements*

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

Fund financial reports provide detailed information about the County's major funds. The County uses many funds to

## SANDUSKY COUNTY

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015 UNAUDITED (CONTINUED)

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, human services and County board of developmental disabilities (DD).

#### ***Governmental Funds***

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

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

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

#### ***Proprietary Funds***

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

#### ***Fiduciary Funds***

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

#### ***Required Supplementary Information***

The RSI contains information regarding the County's proportionate share of the Ohio Public Employees Retirement System's (OPERS) net pension liability/net pension asset and the County's schedule of contributions to OPERS.

#### ***Notes to the Financial Statements***

**SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
UNAUDITED  
(CONTINUED)**

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

**Government-Wide Financial Analysis**

The statement of net position provides the perspective of the County as a whole. The table below provides a summary of the County's net position for 2015 and 2014. The County has restated certain balances for 2014 to reflect the implementation of GASB Statements 68 and 71 (see Note 3.A). The table below provides a summary of the County's net position at December 31, 2015 and 2014.

	<b>Net Position</b>					
	Governmental	Business-type	(Restated) Governmental	(Restated) Business-type	2015 Total	(Restated) 2014 Total
	Activities 2015	Activities 2015	Activities 2014	Activities 2014		
<u>Assets</u>						
Current and other assets	\$ 56,607,606	\$ 1,293,138	\$ 52,817,004	\$ 1,364,819	\$ 57,900,744	\$ 54,181,823
Capital assets	45,056,505	7,486,668	46,008,036	7,136,827	52,543,173	53,144,863
Total assets	<u>101,664,111</u>	<u>8,779,806</u>	<u>98,825,040</u>	<u>8,501,646</u>	<u>110,443,917</u>	<u>107,326,686</u>
Deferred outflows	5,018,420	79,736	3,219,769	51,210	5,098,156	3,219,769
Total assets and deferred outflows	<u>106,682,531</u>	<u>8,859,542</u>	<u>102,044,809</u>	<u>8,552,856</u>	<u>115,542,073</u>	<u>110,597,665</u>
<u>Liabilities</u>						
Long-term liabilities outstanding	15,525,085	3,939,984	15,283,089	3,061,637	19,465,069	18,344,726
Other liabilities	3,044,169	119,597	3,082,716	549,098	3,163,766	3,631,814
Total liabilities	<u>18,569,254</u>	<u>4,059,581</u>	<u>18,365,805</u>	<u>3,610,735</u>	<u>22,628,835</u>	<u>21,976,540</u>
Deferred inflows	10,398,281	2,472	9,554,799	-	10,400,753	9,554,799
Total liabilities and deferred inflows	<u>28,967,535</u>	<u>4,062,053</u>	<u>27,920,604</u>	<u>3,610,735</u>	<u>33,029,588</u>	<u>31,531,339</u>
<u>Net Position</u>						
Net investment in capital assets	42,291,069	3,716,406	42,592,801	3,779,584	46,007,475	46,372,385
Restricted	22,236,985	-	24,326,975	-	22,236,985	24,326,975
Unrestricted	<u>13,186,942</u>	<u>1,081,083</u>	<u>7,204,429</u>	<u>1,162,537</u>	<u>14,268,025</u>	<u>8,366,966</u>
Total net position	<u>\$ 77,714,996</u>	<u>\$ 4,797,489</u>	<u>\$ 74,124,205</u>	<u>\$ 4,942,121</u>	<u>\$ 82,512,485</u>	<u>\$ 79,066,326</u>

During 2015, the County adopted Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27" and GASB Statement 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68"

## SANDUSKY COUNTY

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015 UNAUDITED (CONTINUED)

which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the County's actual financial condition by adding deferred inflows related to pension and the net pension asset/liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the County's proportionate share of each plan's collective:

Present value of estimated future pension benefits attributable to active and inactive employees' past service 2 minus plan assets available to pay these benefits.

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the County is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the County's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the County is reporting a net pension asset/liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2014, for governmental activities from \$79,804,316 to \$74,124,205 and business-type activities from \$5,022,061 to \$4,942,121.

## SANDUSKY COUNTY

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015 UNAUDITED (CONTINUED)

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2015, the County's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$82,512,485. This amounts to \$77,714,996 in governmental activities and \$4,797,489 in business-type activities. The County's finances remained strong during 2015, despite the slow economic recovery.

Capital assets reported on the government-wide statements represent the largest portion of the County's assets. At year-end, capital assets represented 45.47% of total governmental and business-type assets and deferred outflows of resources. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles, construction in progress, water and sewer lines and infrastructure. The net investment in capital assets at December 31, 2015, was \$46,007,475. These capital assets are used to provide services to citizens and are not available for future spending. Although the County's investment in capital position is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

As of December 31, 2015, the County is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

A portion of the County's net position, \$22,236,985, represents resources that are subject to external restrictions on how they may be used. The remaining balance of governmental activities unrestricted net position of \$13,186,942 may be used to meet the government's ongoing obligations to citizens and creditors.

The table below shows the changes in net position for 2015 and 2014.

	<b>Change in Net Position</b>					
	Governmental	Business-type	Governmental	Business-type	2015	2014
	Activities	Activities	Activities	Activities		
	2015	2015	2014	2014	Total	Total
<b>Revenues</b>						
Program revenues:						
Charges for services and sales	\$ 8,908,785	\$ 1,569,910	\$ 8,236,281	\$ 1,622,851	\$ 10,478,695	\$ 9,859,132
Operating grants and contributions	19,677,408	-	19,013,383	-	19,677,408	19,013,383
Capital grants and contributions	<u>853,436</u>	<u>66,410</u>	<u>368,139</u>	<u>201,566</u>	<u>919,846</u>	<u>569,705</u>
Total program revenues	<u>29,439,629</u>	<u>1,636,320</u>	<u>27,617,803</u>	<u>1,824,417</u>	<u>31,075,949</u>	<u>29,442,220</u>
General revenues:						
Property taxes	9,791,666	-	9,697,099	-	9,791,666	9,697,099
Sales tax	11,305,723	-	10,861,434	-	11,305,723	10,861,434
Unrestricted grants	2,946,757	-	3,322,596	-	2,946,757	3,322,596
Investment earnings	209,608	2,475	162,696	2,476	212,083	165,172
Other	<u>1,702,713</u>	<u>4,625</u>	<u>1,519,358</u>	<u>46,747</u>	<u>1,707,338</u>	<u>1,566,105</u>
Total general revenues	<u>25,956,467</u>	<u>7,100</u>	<u>25,563,183</u>	<u>49,223</u>	<u>25,963,567</u>	<u>25,612,406</u>
Total revenues	<u>55,396,096</u>	<u>1,643,420</u>	<u>53,180,986</u>	<u>1,873,640</u>	<u>57,039,516</u>	<u>55,054,626</u>

**SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
UNAUDITED  
(CONTINUED)**

	Governmental Activities <u>2015</u>	Business-type Activities <u>2015</u>	Governmental Activities <u>2014</u>	Business-type Activities <u>2014</u>	2015 Total	2014 Total
<b>Expenses</b>						
Program expenses:						
General government	11,269,749	-	11,377,261	-	11,269,749	11,377,261
Public safety	12,651,106	-	11,654,609	-	12,651,106	11,654,609
Public works	6,095,358	-	6,442,057	-	6,095,358	6,442,057
Health	727,779	-	442,756	-	727,779	442,756
Human services	20,402,800	-	20,833,459	-	20,402,800	20,833,459
Economic development and assistance	341,944	-	380,803	-	341,944	380,803
Intergovernmental	186,300	-	176,300	-	186,300	176,300
Interest and fiscal charges	130,269	-	135,674	-	130,269	135,674
Sanitary sewer	-	1,788,052	-	1,746,313	1,788,052	1,746,313
Total expenses	<u>51,805,305</u>	<u>1,788,052</u>	<u>51,442,919</u>	<u>1,746,313</u>	<u>53,593,357</u>	<u>53,189,232</u>
Increase (decrease) in net position before transfers	3,590,791	(144,632)	1,738,067	127,327	1,865,394	1,992,721
Transfers	-	-	(141,787)	141,787	-	141,787
Increase (decrease) in net position	3,590,791	(144,632)	1,596,280	269,114	3,446,159	1,865,394
Net position at the beginning of the year (restated)	<u>74,124,205</u>	<u>4,942,121</u>	N/A	N/A	<u>79,066,326</u>	N/A
Net position at the end of the year	<u>\$ 77,714,996</u>	<u>\$ 4,797,489</u>	<u>\$ 74,124,205</u>	<u>\$ 4,942,121</u>	<u>\$ 82,512,485</u>	<u>\$ 79,066,326</u>

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$3,242,013 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$1,700,848.

Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

	Governmental Activities	Business-Type Activities	Total
Total 2015 program expenses under GASB 68	\$ 51,805,305	\$ 1,788,052	\$ 53,593,357
Pension expense under GASB 68	(1,675,111)	(25,737)	(1,700,848)
2015 contractually required contributions	<u>3,051,706</u>	<u>49,026</u>	<u>3,100,732</u>
Adjusted 2015 program expenses	53,181,900	1,811,341	54,993,241
Total 2014 program expenses under GASB 27	<u>51,442,919</u>	<u>1,746,313</u>	<u>53,189,232</u>
Increase in program expenses not related to pension	<u>\$ 1,738,981</u>	<u>\$ 65,028</u>	<u>\$ 1,804,009</u>

**SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
UNAUDITED  
(CONTINUED)**

**Governmental Activities**

Governmental net position increased by \$3,590,791 in 2015 over 2014. This increase is due primarily to an increase in taxes caused by a new board of DD levy being passed in 2014.

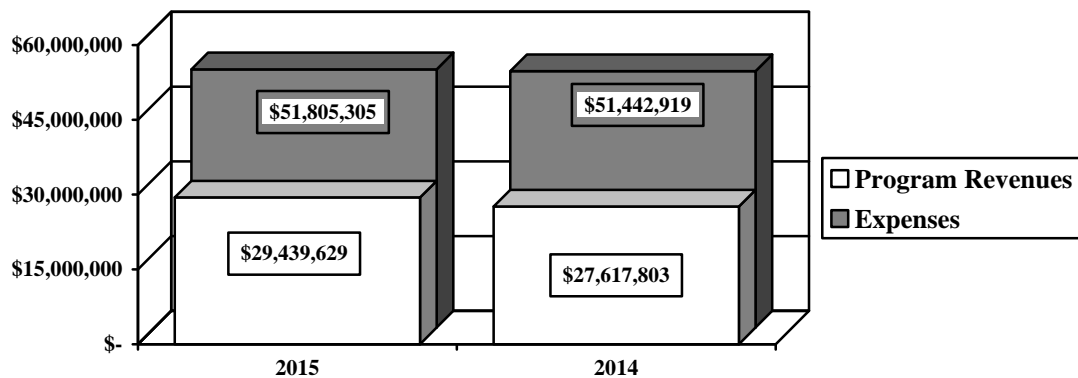
Human services expenses, which support the operations of the County board of DD, Job and Family Services (human services fund), Veteran Services, and the Children Services Board, accounts for \$20,402,800 of expenses, or 39.38% of total governmental expenses of the County. These expenses were funded by \$302,692 in charges to users of services and \$13,124,372 in operating grants and contributions in 2015. General government expenses which includes legislative and executive and judicial programs, totaled \$11,269,749 or 21.75% of total governmental expenses. General government expenses were covered by \$3,737,814 of direct charges to users in 2015.

The State and Federal government contributed to the County revenues of \$19,677,408 in operating grants and contributions and \$853,436 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions \$13,124,372, or 66.70%, subsidized human services programs.

Governmental general revenues totaled \$25,956,467, and amounted to 46.85% of total revenues. These revenues primarily consist of property and sales tax revenue of \$21,097,389, or 81.28% of total governmental general revenues in 2015. The other primary source of general revenues is grants and entitlements not restricted to specific programs, which consists primarily of local government revenue and property tax reimbursements received from the State, \$2,946,757, or 11.35% of total governmental general revenues.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2015 and 2014. 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**



**Governmental Activities**



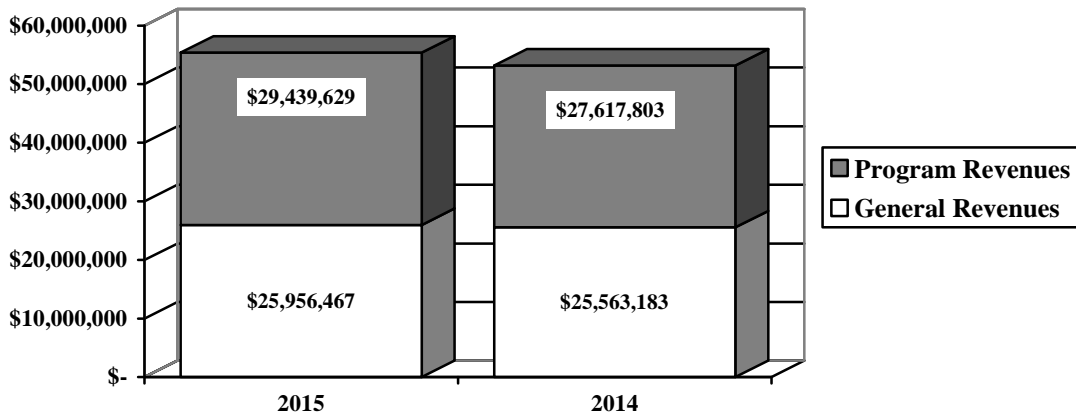
**SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
UNAUDITED  
(CONTINUED)**

	Total Cost of Services 2015	Net Cost of Services 2015	Total Cost of Services 2014	Net Cost of Services 2014
<b>Program expenses:</b>				
General government	\$ 11,269,749	\$ 7,422,967	\$ 11,377,261	\$ 7,363,367
Public safety	12,651,106	7,863,223	11,654,609	7,734,145
Public works	6,095,358	(651,201)	6,442,057	(320,821)
Health	727,779	408,494	442,756	129,474
Human services	20,402,800	6,975,736	20,833,459	8,549,080
Economic development and assistance	341,944	41,300	380,803	68,898
Intergovernmental	186,300	186,300	176,300	176,300
Interest and fiscal charges	130,269	118,857	135,674	124,673
<b>Total</b>	<b>\$ 51,805,305</b>	<b>\$ 22,365,676</b>	<b>\$ 51,442,919</b>	<b>\$ 23,825,116</b>

The dependence upon general revenues for governmental activities is apparent, with 43.17% of expenses supported through taxes and other general revenues during 2015.

**Governmental Activities - General and Program Revenues**



**Business-Type Activities**

The sanitary sewer is the County's only enterprise fund. This program had revenues of \$1,643,420 and expenses of \$1,788,052 for 2015. The sanitary sewer fund's net position balance decreased \$144,632 in 2015.

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

**SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
UNAUDITED  
(CONTINUED)

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 \$33,716,986, which is \$3,181,848 greater than last year's total of \$30,535,138. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2015 for all major and non-major governmental funds.

	<u>Fund Balance</u> <u>December 31, 2015</u>	<u>Fund Balance</u> <u>December 31, 2014</u>	<u>Increase</u> <u>(Decrease)</u>
<b>Major funds:</b>			
General	\$ 6,407,377	\$ 6,857,700	\$ (450,323)
Human services	1,549,624	1,313,424	236,200
County board of DD	9,992,435	7,953,069	2,039,366
Other nonmajor governmental funds	<u>15,767,550</u>	<u>14,410,945</u>	<u>1,356,605</u>
Total	<u>\$ 33,716,986</u>	<u>\$ 30,535,138</u>	<u>\$ 3,181,848</u>

***General Fund***

The general fund, the County's largest major fund, had revenues of \$18,539,978 in 2015, an increase of \$492,653 from 2014 revenues and other financing sources. The general fund had expenditures and other financing uses of \$18,990,301 in 2015, an increase of \$939,090 from 2014. The fund balance of the general fund decreased \$450,323 from 2014 to 2015.

***Human Services Fund***

The human services fund, a County major fund, had revenues of \$6,333,296 in 2015. The human services fund had expenditures of \$6,097,096 in 2015. The fund balance of the human services fund increased \$236,200 from 2014 to 2015.

***County Board of Developmental Disabilities Fund***

The County board of developmental disabilities (DD) fund, a County major fund, had revenues of \$11,279,959 in 2015. The County board of DD fund had expenditures of \$9,240,593 in 2015. The fund balance of the County board of DD fund increased \$2,039,366 from 2014 to 2015.

***Budgeting Highlights - General Fund***

The County's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially the budget is the County's

**SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
UNAUDITED  
(CONTINUED)**

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 \$901,999 less than the final budgeted revenues and other financing sources. Actual revenues and other financing sources of \$17,311,608 were more than final and original budgeted revenues and other financing sources by \$33,145. The final budgeted appropriations and other financing uses were greater than actual expenditures and other financing uses by \$987,873.

***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 2015, the County had \$52,543,173 (net of accumulated depreciation) invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles, construction in progress, sewer and water lines and infrastructure. Of this total, \$45,056,505 was reported in governmental activities and \$7,486,668 was reported in business-type activities. The following table shows 2015 balances compared to 2014:

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2015	2014	2015	2014	2015	2014
Land	\$ 1,407,198	\$ 1,407,198	\$ 66,328	\$ 56,828	\$ 1,473,526	\$ 1,464,026
Land improvements	259,616	293,235	23,211	26,671	282,827	319,906
Building and improvements	14,728,602	14,322,328	73,118	78,799	14,801,720	14,401,127
Furniture and equipment	2,539,119	2,196,805	52,317	72,812	2,591,436	2,269,617
Vehicles	2,458,150	2,426,713	69,306	24,308	2,527,456	2,451,021
Infrastructure	23,663,820	24,419,643	-	-	23,663,820	24,419,643
Construction in progress	-	942,114	2,291,666	1,753,354	2,291,666	2,695,468
Sewer and water lines	-	-	4,910,722	5,124,055	4,910,722	5,124,055
<b>Total</b>	<b>\$ 45,056,505</b>	<b>\$ 46,008,036</b>	<b>\$ 7,486,668</b>	<b>\$ 7,136,827</b>	<b>\$ 52,543,173</b>	<b>\$ 53,144,863</b>

During 2015, the County's governmental activities had \$2,311,084 in additions, \$161,457 (net of accumulated depreciation) in deletions and \$3,101,158 in depreciation expense. The decrease in the County's governmental activities capital assets for 2015 was \$951,531. See Note 10 to the basic financial statements for detail on governmental activities and business-type activities capital assets.

***Debt Administration***

At December 31, 2015 the County's governmental activities had \$6,505,441 in special assessment bonds, capital leases, compensated absences and OPWC loans. Of this total, \$2,445,536 is due within one year and \$4,049,909 is due in

**SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
UNAUDITED  
(CONTINUED)**

greater than one year. At December 31, 2015 the County's business-type activities had \$3,805,700 in OWPC/OPWC loans and compensated absences outstanding. Of this total, \$245,630 is due within one year and \$3,560,070 is due within greater than one year. The following table summarizes the bonds, leases, loans and compensated absences outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities 2015	Business-Type Activities 2015	Governmental Activities 2014	Business-Type Activities 2014
Long-term obligations:				
Special obligation bonds	\$ 3,805,000	\$ -	\$ 4,305,000	\$ -
Special assessment bonds	12,941	-	22,363	-
OPWC/OWPC loans	109,908	3,770,262	113,698	2,899,801
Capital lease obligation	181,210	-	245,881	-
Compensated Absences	<u>2,396,382</u>	<u>35,438</u>	<u>1,804,711</u>	<u>30,585</u>
Total	<u>\$ 6,505,441</u>	<u>\$ 3,805,700</u>	<u>\$ 6,491,653</u>	<u>\$ 2,930,386</u>

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

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

The County's current estimated population is 60,098.

The County's unemployment rate is currently 4.9%, compared to the 4.9% state average and the 5.3% national average.

These economic factors were considered in preparing the County's budget for 2014. 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 Jerri A. Miller, Sandusky County Auditor, 100 North Park Avenue, Fremont, Ohio 43420-2472.

**SANDUSKY COUNTY**

STATEMENT OF NET POSITION  
DECEMBER 31, 2015

	Primary Government			Component Unit (cash basis)
	Governmental Activities	Business-type Activities	Total	Airport Authority
<b>Assets:</b>				
Equity in pooled cash and investments . . . . .	\$ 31,446,421	\$ 1,166,643	\$ 32,613,064	\$ 166,819
Cash and cash equivalents with fiscal agents . . . . .	56,144	-	56,144	-
Receivables (net of allowance for uncollectibles):				
Sales taxes . . . . .	2,895,020	-	2,895,020	-
Real estate and other taxes . . . . .	11,087,003	-	11,087,003	-
Accounts . . . . .	1,058,998	114,337	1,173,335	-
Special assessments . . . . .	237,823	22,235	260,058	-
Accrued interest . . . . .	69,741	-	69,741	-
Due from other governments . . . . .	4,355,110	-	4,355,110	-
Loans receivable . . . . .	44,007	-	44,007	-
Internal balances . . . . .	12,000	(12,000)	-	-
Prepayments . . . . .	227,906	1,553	229,459	-
Materials and supplies inventory . . . . .	690,095	-	690,095	-
Loans due from other funds . . . . .	55	-	55	-
Net pension asset . . . . .	22,800	370	23,170	-
Investment in joint ventures . . . . .	4,404,483	-	4,404,483	-
Capital assets:				
Non-depreciable capital assets . . . . .	1,407,198	2,357,994	3,765,192	-
Depreciable capital assets, net . . . . .	43,649,307	5,128,674	48,777,981	-
Total capital assets, net . . . . .	45,056,505	7,486,668	52,543,173	-
Total assets . . . . .	101,664,111	8,779,806	110,443,917	166,819
<b>Deferred outflows of resources:</b>				
Unamortized deferred charges on debt refunding . . . . .	25,307	-	25,307	-
Pension - OPERS . . . . .	4,916,635	79,736	4,996,371	-
Pension - STRS . . . . .	76,478	-	76,478	-
Total deferred outflows of resources . . . . .	5,018,420	79,736	5,098,156	-
<b>Liabilities:</b>				
Accounts payable . . . . .	1,506,038	52,993	1,559,031	-
Accrued wages and benefits payable . . . . .	704,358	9,073	713,431	-
Due to other governments . . . . .	708,886	57,531	766,417	-
Accrued interest payable . . . . .	9,193	-	9,193	-
Amount to be repaid to claimants . . . . .	115,694	-	115,694	-
Long-term liabilities:				
Due within one year . . . . .	2,445,536	245,630	2,691,166	-
Due in more than one year:				
Net pension liability . . . . .	8,987,960	134,284	9,122,244	-
Due in more than one year . . . . .	4,091,589	3,560,070	7,651,659	-
Total liabilities . . . . .	18,569,254	4,059,581	22,628,835	-
<b>Deferred inflows of resources:</b>				
Property taxes levied for the next year . . . . .	10,066,812	-	10,066,812	-
Pension - OPERS . . . . .	152,424	2,472	154,896	-
Pension - STRS . . . . .	179,045	-	179,045	-
Total deferred inflows of resources . . . . .	10,398,281	2,472	10,400,753	-
<b>Net position:</b>				
Net investment in capital assets . . . . .	42,291,069	3,716,406	46,007,475	-
Restricted for:				
Debt service . . . . .	104,825	-	104,825	-
Public works projects . . . . .	3,379,505	-	3,379,505	-
Public safety programs . . . . .	4,301,700	-	4,301,700	-
Human services programs . . . . .	10,954,177	-	10,954,177	-
Health programs . . . . .	115,920	-	115,920	-
Other purposes . . . . .	3,380,858	-	3,380,858	34
Unrestricted . . . . .	13,186,942	1,081,083	14,268,025	166,785
Total net position . . . . .	\$ 77,714,996	\$ 4,797,489	\$ 82,512,485	\$ 166,819

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SANDUSKY COUNTY**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2015

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities:</b>				
Current:				
General government:				
Legislative and executive. . . . .	\$ 7,106,409	\$ 1,933,687	\$ 31,494	\$ -
Judicial . . . . .	4,163,340	1,804,127	77,474	-
Public safety. . . . .	12,651,106	3,059,089	1,728,794	-
Public works . . . . .	6,095,358	1,487,155	4,405,968	853,436
Health . . . . .	727,779	310,623	8,662	-
Human services . . . . .	20,402,800	302,692	13,124,372	-
Economic development and assistance . . . . .	341,944	-	300,644	-
Intergovernmental . . . . .	186,300	-	-	-
Interest and fiscal charges . . . . .	130,269	11,412	-	-
<b>Total governmental activities . . . . .</b>	<b>51,805,305</b>	<b>8,908,785</b>	<b>19,677,408</b>	<b>853,436</b>
<b>Business-type activities:</b>				
Sanitary sewer. . . . .	1,788,052	1,569,910	-	66,410
<b>Totals primary government. . . . .</b>	<b>\$ 53,593,357</b>	<b>\$ 10,478,695</b>	<b>\$ 19,677,408</b>	<b>\$ 919,846</b>
<b>Component unit: (cash basis)</b>				
Airport authority. . . . .	\$ 625,619	\$ 439,851	\$ 242,971	\$ -

**General revenues:**

Property taxes levied for:

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

Sales taxes levied for:

- General fund. . . . .
- Public safety - EMS . . . . .
- Grants and entitlements not restricted to specific programs . . . . .
- Investment earnings . . . . .
- Miscellaneous . . . . .

Total general revenues . . . . .

Change in net position . . . . .

**Net position at beginning of year (restated). . . . .**

**Net position at end of year . . . . .**

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Net (Expense) Revenue and Changes in Net Position**

Primary Government		Component Unit	
Governmental Activities	Business-type Activities	Total	Airport Authority
\$ (5,141,228)	\$ -	\$ (5,141,228)	\$ -
(2,281,739)	-	(2,281,739)	-
(7,863,223)	-	(7,863,223)	-
651,201	-	651,201	-
(408,494)	-	(408,494)	-
(6,975,736)	-	(6,975,736)	-
(41,300)	-	(41,300)	-
(186,300)	-	(186,300)	-
(118,857)	-	(118,857)	-
(22,365,676)	-	(22,365,676)	-
-	(151,732)	(151,732)	-
(22,365,676.00)	(151,732.00)	(22,517,408.00)	-
-	-	-	57,203
2,697,209	-	2,697,209	-
6,296,601	-	6,296,601	-
512,269	-	512,269	-
285,587	-	285,587	-
9,423,739	-	9,423,739	-
1,881,984	-	1,881,984	-
2,946,757	-	2,946,757	-
209,608	2,475	212,083	-
1,702,713	4,625	1,707,338	10,992
25,956,467	7,100	25,963,567	10,992
3,590,791	(144,632)	3,446,159	68,195
74,124,205	4,942,121	79,066,326	98,624
\$ 77,714,996	\$ 4,797,489	\$ 82,512,485	\$ 166,819

**SANDUSKY COUNTY**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2015

	<u>General</u>	<u>Human Services</u>	<u>County Board of DD</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Equity in pooled cash and investments . . . . .	\$ 5,012,697	\$ 1,397,526	\$ 10,161,629	\$ 14,718,898	\$ 31,290,750
Cash and cash equivalents with fiscal agents . . . . .	-	-	-	56,144	56,144
Receivables (net of allowance for uncollectibles):					
Sales taxes . . . . .	2,413,617	-	-	481,403	2,895,020
Real estate and other taxes . . . . .	3,192,608	-	7,006,831	887,564	11,087,003
Accounts . . . . .	184,272	241,925	42	632,759	1,058,998
Special assessments . . . . .	-	-	-	237,823	237,823
Accrued interest . . . . .	67,363	-	-	2,378	69,741
Due from other governments . . . . .	1,029,567	130,990	654,548	2,540,005	4,355,110
Loans receivable . . . . .	-	-	-	44,007	44,007
Interfund loans receivable . . . . .	187,633	-	-	151,107	338,740
Prepayments . . . . .	115,456	63,534	-	48,916	227,906
Materials and supplies inventory . . . . .	133,719	11,133	12,434	532,809	690,095
Loans due from other funds . . . . .	-	-	-	55	55
Total assets . . . . .	<u>\$ 12,336,932</u>	<u>\$ 1,845,108</u>	<u>\$ 17,835,484</u>	<u>\$ 20,333,868</u>	<u>\$ 52,351,392</u>
<b>Liabilities:</b>					
Accounts payable . . . . .	\$ 264,305	\$ 97,219	\$ 135,503	\$ 1,009,011	\$ 1,506,038
Accrued wages and benefits payable . . . . .	282,424	98,268	124,097	199,569	704,358
Compensated absences payable . . . . .	8,632	-	14,306	22,092	45,030
Due to other governments . . . . .	314,998	99,997	119,993	173,898	708,886
Interfund loans payable . . . . .	139,107	-	-	187,633	326,740
Amount to be repaid to claimants . . . . .	115,694	-	-	-	115,694
Total liabilities . . . . .	<u>1,125,160</u>	<u>295,484</u>	<u>393,899</u>	<u>1,592,203</u>	<u>3,406,746</u>
<b>Deferred inflows of resources:</b>					
Property taxes levied for the next year . . . . .	2,898,834	-	6,362,085	805,893	10,066,812
Delinquent property tax revenue not available . . . . .	293,774	-	644,746	81,671	1,020,191
Accrued interest not available . . . . .	19,068	-	-	-	19,068
Sales tax revenue not available . . . . .	922,037	-	-	184,360	1,106,397
Special assessments revenue not available . . . . .	-	-	-	237,823	237,823
Other nonexchange transactions . . . . .	463,699	-	412,438	1,468,278	2,344,415
Unavailable grant revenue . . . . .	-	-	21,402	163,142	184,544
Miscellaneous revenue not available . . . . .	206,983	-	8,479	32,948	248,410
Total deferred inflows of resources . . . . .	<u>4,804,395</u>	<u>-</u>	<u>7,449,150</u>	<u>2,974,115</u>	<u>15,227,660</u>
<b>Fund balances:</b>					
Nonspendable . . . . .	627,332	74,667	12,434	581,725	1,296,158
Restricted . . . . .	23,629	1,474,957	9,980,001	11,180,032	22,658,619
Committed . . . . .	3,790	-	-	4,201,279	4,205,069
Assigned . . . . .	1,340,185	-	-	-	1,340,185
Unassigned (deficit) . . . . .	4,412,441	-	-	(195,486)	4,216,955
Total fund balances . . . . .	<u>6,407,377</u>	<u>1,549,624</u>	<u>9,992,435</u>	<u>15,767,550</u>	<u>33,716,986</u>
Total liabilities, deferred inflows of resources and fund balances . . . . .	<u>\$ 12,336,932</u>	<u>\$ 1,845,108</u>	<u>\$ 17,835,484</u>	<u>\$ 20,333,868</u>	<u>\$ 52,351,392</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**SANDUSKY COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2015

<b>Total governmental fund balances</b>		\$	33,716,986
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			45,056,505
Other long-term assets are not available to pay for current period expenditures and therefore are deferred inflows in the funds.			
Real and other taxes receivable	\$	1,020,191	
Sales taxes receivable		1,106,397	
Special assessments receivable		237,823	
Accrued interest receivable		19,068	
Charges for services		53,360	
Intergovernmental revenues		2,724,009	
Total		5,160,848	5,160,848
The investments in joint ventures by governmental activities are not financial resources and therefore are not reported in fund balance at year end.			4,404,483
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position.			155,671
On the statement of net position interest is accrued on outstanding bonds payable, whereas in the governmental funds, interest is accrued when due.			(9,193)
Unamortized premiums are amortized over the life of the bonds on the statement of net position.			(38,825)
Unamortized discounts are amortized over the life of the bonds on the statement of net position.			7,141
Unamortized deferred amounts on refundings are not recognized in the governmental funds.			25,307
The net pension asset/liability is not due and receivable/payable in the current period; therefore, the asset, liability and related deferred inflows/outflows are not recognized in the governmental funds			
Deferred outflows of resources - pension		4,993,113	
Deferred inflows of resources - pension		(331,469)	
Net pension asset		22,800	
Net pension liability		(8,987,960)	
Total		(4,303,516)	(4,303,516)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Special obligation bonds		3,805,000	
Special assessment bonds		12,941	
Capital lease payable		181,210	
Loans payable		109,908	
Compensated absences		2,351,352	
Total		(6,460,411)	(6,460,411)
<b>Net position of governmental activities</b>		<b>\$</b>	<b>77,714,996</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SANDUSKY COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2015

	<b>General</b>	<b>Human Services</b>	<b>County Board of DD</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>					
Real estate and other taxes . . . . .	\$ 2,720,899	\$ -	\$ 6,400,154	\$ 811,262	\$ 9,932,315
Sales taxes . . . . .	9,394,554	-	-	1,875,497	11,270,051
Charges for services . . . . .	2,155,737	-	42	4,558,324	6,714,103
Licenses and permits . . . . .	2,710	-	-	227,445	230,155
Fines and forfeitures . . . . .	446,190	-	-	297,792	743,982
Intergovernmental . . . . .	1,958,861	6,332,589	4,864,652	10,279,187	23,435,289
Special assessments . . . . .	-	-	-	237,476	237,476
Investment income . . . . .	198,275	-	-	7,993	206,268
Rental income . . . . .	137,001	-	-	442,449	579,450
Contributions and donations . . . . .	1,400	707	15,111	48,517	65,735
Refunds and reimbursements . . . . .	1,501,714	-	-	375,719	1,877,433
Other . . . . .	22,637	-	-	28,996	51,633
<b>Total revenues . . . . .</b>	<b>18,539,978</b>	<b>6,333,296</b>	<b>11,279,959</b>	<b>19,190,657</b>	<b>55,343,890</b>
<b>Expenditures:</b>					
Current:					
General government:					
Legislative and executive . . . . .	6,068,578	-	-	943,930	7,012,508
Judicial . . . . .	3,341,721	-	-	862,535	4,204,256
Public safety . . . . .	7,025,872	-	-	4,912,339	11,938,211
Public works . . . . .	-	-	-	4,989,984	4,989,984
Health . . . . .	127,973	-	-	302,703	430,676
Human services . . . . .	640,932	6,097,096	9,208,232	4,895,951	20,842,211
Economic development and assistance . . . . .	-	-	-	274,572	274,572
Intergovernmental . . . . .	186,300	-	-	-	186,300
Capital outlay . . . . .	-	-	-	1,572,981	1,572,981
Debt service:					
Principal retirement . . . . .	34,146	-	29,108	514,629	577,883
Interest and fiscal charges . . . . .	7,616	-	3,253	121,591	132,460
<b>Total expenditures . . . . .</b>	<b>17,433,138</b>	<b>6,097,096</b>	<b>9,240,593</b>	<b>19,391,215</b>	<b>52,162,042</b>
Excess (deficiency) of revenues over (under) expenditures . . . . .	1,106,840	236,200	2,039,366	(200,558)	3,181,848
<b>Other financing sources (uses):</b>					
Transfers in . . . . .	-	-	-	1,562,163	1,562,163
Transfers (out) . . . . .	(1,557,163)	-	-	(5,000)	(1,562,163)
<b>Total other financing sources (uses) . . . . .</b>	<b>(1,557,163)</b>	<b>-</b>	<b>-</b>	<b>1,557,163</b>	<b>-</b>
<b>Net change in fund balances . . . . .</b>	<b>(450,323)</b>	<b>236,200</b>	<b>2,039,366</b>	<b>1,356,605</b>	<b>3,181,848</b>
<b>Fund balances at beginning of year . . . . .</b>	<b>6,857,700</b>	<b>1,313,424</b>	<b>7,953,069</b>	<b>14,410,945</b>	<b>30,535,138</b>
<b>Fund balances at end of year . . . . .</b>	<b>\$ 6,407,377</b>	<b>\$ 1,549,624</b>	<b>\$ 9,992,435</b>	<b>\$ 15,767,550</b>	<b>\$ 33,716,986</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SANDUSKY COUNTY**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2015

**Net change in fund balances - total governmental funds** \$ 3,181,848

*Amounts reported for governmental activities in the statement of activities are different because:*

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

Capital asset additions	\$ 2,311,084	
Current year depreciation	(3,101,158)	
<b>Total</b>	<b>(790,074)</b>	(790,074)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position. (161,457)

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	(140,649)	
Sales taxes	35,672	
Special assessments	29,979	
Interest	11,333	
Charges for services	24,354	
Intergovernmental	(86,359)	
<b>Total</b>	<b>(125,670)</b>	(125,670)

Decreases in the value of investment in joint ventures that do not provide current financial resources are not reported in the funds. 177,876

Repayment of bond and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. 577,883

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.

Decrease in accrued interest payable	835	
Amortization of deferred amounts on refunding	(3,659)	
Amortization of bond premiums	5,614	
Amortization of bond discounts	(599)	
<b>Total</b>	<b>2,191</b>	2,191

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. (644,855)

Contractually required pension contributions are reported as expenditures in the governmental funds; however, the statement of net position reports these amounts as deferred outflows. 3,051,706

Except for amounts reported as deferred inflows/outflows, changes in the net pension asset/liability are reported as pension expense in the statement of activities. (1,675,111)

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. (3,546)

**Change in net position of governmental activities** **\$ 3,590,791**

**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, 2015

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Real estate and other taxes . . . . .	\$ 2,563,620	\$ 2,704,822	\$ 2,704,788	\$ (34)
Sales taxes . . . . .	5,332,302	5,626,000	5,625,834	(166)
Charges for services. . . . .	1,563,864	1,650,000	1,612,891	(37,109)
Licenses and permits . . . . .	1,896	2,000	2,685	685
Fines and forfeitures . . . . .	435,986	460,000	453,451	(6,549)
Intergovernmental. . . . .	1,782,465	1,880,641	1,939,460	58,819
Investment income. . . . .	516,549	545,000	203,942	(341,058)
Rental income . . . . .	151,647	160,000	137,001	(22,999)
Refunds and reimbursements. . . . .	1,374,305	1,450,000	1,339,649	(110,351)
Total revenues . . . . .	<u>13,722,634</u>	<u>14,478,463</u>	<u>14,019,701</u>	<u>(458,762)</u>
<b>Expenditures:</b>				
Current:				
General government:				
Legislative and executive . . . . .	5,581,287	5,726,028	5,329,951	396,077
Judicial . . . . .	3,615,462	3,672,080	3,382,147	289,933
Public safety . . . . .	6,830,423	7,198,065	7,002,237	195,828
Public works . . . . .	36,566	36,566	36,566	-
Health . . . . .	129,010	129,010	127,973	1,037
Human services. . . . .	748,548	736,185	647,513	88,672
Intergovernmental. . . . .	186,300	186,300	186,300	-
Total expenditures . . . . .	<u>17,127,596</u>	<u>17,684,234</u>	<u>16,712,687</u>	<u>971,547</u>
Excess of expenditures over revenues . . . . .	<u>(3,404,962)</u>	<u>(3,205,771)</u>	<u>(2,692,986)</u>	<u>512,785</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	2,653,830	2,800,000	3,281,907	481,907
Transfers out. . . . .	(587,406)	(996,270)	(979,944)	16,326
Advances in . . . . .	-	-	10,000	10,000
Advances out . . . . .	(50,100)	(50,100)	(50,100)	-
Total other financing sources (uses). . . . .	<u>2,016,324</u>	<u>1,753,630</u>	<u>2,261,863</u>	<u>508,233</u>
Net change in fund balance . . . . .	(1,388,638)	(1,452,141)	(431,123)	1,021,018
<b>Fund balance at beginning of year . . . . .</b>	2,080,729	2,080,729	2,080,729	-
<b>Prior year encumbrances appropriated . . .</b>	177,603	177,603	177,603	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 869,694</u>	<u>\$ 806,191</u>	<u>\$ 1,827,209</u>	<u>\$ 1,021,018</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SANDUSKY COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 HUMAN SERVICES  
 FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental . . . . .	\$ 5,000,000	\$ 6,017,000	\$ 6,016,883	\$ (117)
Contributions and donations . . . . .	-	-	707	707
Total revenues . . . . .	<u>5,000,000</u>	<u>6,017,000</u>	<u>6,017,590</u>	<u>590</u>
<b>Expenditures:</b>				
Current:				
Human services . . . . .	<u>5,808,774</u>	<u>6,629,976</u>	<u>6,352,187</u>	<u>277,789</u>
Total expenditures . . . . .	<u>5,808,774</u>	<u>6,629,976</u>	<u>6,352,187</u>	<u>277,789</u>
Net change in fund balance . . . . .	(808,774)	(612,976)	(334,597)	278,379
<b>Fund balance at beginning of year . . . . .</b>	1,259,095	1,259,095	1,259,095	-
<b>Prior year encumbrances appropriated . . .</b>	<u>193,543</u>	<u>193,543</u>	<u>193,543</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 643,864</u>	<u>\$ 839,662</u>	<u>\$ 1,118,041</u>	<u>\$ 278,379</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SANDUSKY COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 COUNTY BOARD OF DEVELOPMENTAL DISABILITIES  
 FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Real estate and other taxes . . . . .	\$ 5,576,243	\$ 6,390,600	\$ 6,390,561	\$ (39)
Charges for services. . . . .	144,847	166,000	-	(166,000)
Intergovernmental. . . . .	3,770,076	4,320,659	4,656,965	336,306
Contributions and donations. . . . .	14,397	16,500	15,111	(1,389)
Total revenues . . . . .	<u>9,505,563</u>	<u>10,893,759</u>	<u>11,062,637</u>	<u>168,878</u>
<b>Expenditures:</b>				
Current:				
Human services. . . . .	10,703,942	10,980,365	9,812,098	1,168,267
Total expenditures . . . . .	<u>10,703,942</u>	<u>10,980,365</u>	<u>9,812,098</u>	<u>1,168,267</u>
Excess (deficiency) of revenues over (under) expenditures. . . . .	<u>(1,198,379)</u>	<u>(86,606)</u>	<u>1,250,539</u>	<u>1,337,145</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	1,679,696	1,925,000	1,520,000	(405,000)
Transfers (out). . . . .	-	(1,520,000)	(1,520,000)	-
Total other financing sources (uses) . . . . .	<u>1,679,696</u>	<u>405,000</u>	<u>-</u>	<u>(405,000)</u>
Net change in fund balance . . . . .	481,317	318,394	1,250,539	932,145
<b>Fund balance at beginning of year . . . . .</b>	7,872,013	7,872,013	7,872,013	-
<b>Prior year encumbrances appropriated . . . . .</b>	271,477	271,477	271,477	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 8,624,807</u>	<u>\$ 8,461,884</u>	<u>\$ 9,394,029</u>	<u>\$ 932,145</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SANDUSKY COUNTY**

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 DECEMBER 31, 2015

	<b>Business-Type Activities - Sanitary Sewer</b>	<b>Governmental Activities - Internal Service Fund</b>
<b>Assets:</b>		
Current assets:		
Equity in pooled cash and investments . . . . .	\$ 1,166,643	\$ 155,671
Receivables (net of allowance for uncollectables):		
Accounts . . . . .	114,337	-
Special assessments . . . . .	22,235	-
Prepayments . . . . .	1,553	-
Net pension asset . . . . .	370	-
Total current assets . . . . .	1,305,138	155,671
Noncurrent assets:		
Capital assets:		
Non-depreciable capital assets . . . . .	2,357,994	-
Depreciable capital assets, net . . . . .	5,128,674	-
Total capital assets, net . . . . .	7,486,668	-
Total assets . . . . .	8,791,806	155,671
<b>Deferred outflows of resources:</b>		
Pension - OPERS . . . . .	79,736	-
Total deferred outflows of resources . . . . .	79,736	-
Total assets and deferred outflows of resources . . . . .	8,871,542	155,671
<b>Liabilities:</b>		
Current liabilities:		
Accounts payable . . . . .	52,993	-
Accrued wages and benefits payable . . . . .	9,073	-
Compensated absences payable . . . . .	20,539	-
Interfund loans payable . . . . .	12,000	-
Due to other governments . . . . .	57,531	-
OPWC loans payable . . . . .	23,971	-
OWPC loans payable . . . . .	201,120	-
Total current liabilities . . . . .	377,227	-
Long-term liabilities:		
Compensated absences payable . . . . .	14,899	-
OPWC loans payable . . . . .	257,092	-
OWPC loans payable . . . . .	3,288,079	-
Net pension liability . . . . .	134,284	-
Total long-term liabilities . . . . .	3,694,354	-
Total liabilities . . . . .	4,071,581	-
<b>Deferred inflows of resources:</b>		
Pension - OPERS . . . . .	2,472	-
<b>Net position:</b>		
Net investment in capital assets . . . . .	3,716,406	-
Unrestricted . . . . .	1,081,083	155,671
Total net position . . . . .	\$ 4,797,489	\$ 155,671

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SANDUSKY COUNTY**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2015

	<b>Business-Type Activities - Sanitary Sewer</b>	<b>Governmental Activities - Internal Service Fund</b>
<b>Operating revenues:</b>		
Charges for services . . . . .	\$ 1,569,910	\$ 20,073
Other . . . . .	4,625	-
Total operating revenues. . . . .	1,574,535	20,073
<b>Operating expenses:</b>		
Personal services . . . . .	362,347	23,619
Contract services. . . . .	904,085	-
Materials and supplies. . . . .	74,451	-
Utilities . . . . .	58,931	-
Depreciation. . . . .	253,560	-
Other . . . . .	44,961	-
Total operating expenses. . . . .	1,698,335	23,619
Operating loss . . . . .	(123,800)	(3,546)
<b>Nonoperating revenues (expenses):</b>		
Interest and fiscal charges . . . . .	(89,717)	-
Interest income. . . . .	2,475	-
Total nonoperating revenues (expenses) . . . . .	(87,242)	-
Loss before capital contributions . . . . .	(211,042)	(3,546)
Capital contributions. . . . .	66,410	-
Change in net position . . . . .	(144,632)	(3,546)
<b>Net position at beginning of year (restated) .</b>	4,942,121	159,217
<b>Net position at end of year . . . . .</b>	<b>\$ 4,797,489</b>	<b>\$ 155,671</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**SANDUSKY COUNTY**

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2015

	<b>Business-Type Activities - Sanitary Sewer</b>	<b>Governmental Activities - Internal Service Fund</b>
<b>Cash flows from operating activities:</b>		
Cash received from sales/charges for services . . . . .	\$ 1,580,303	\$ 20,073
Cash received from other operating revenue . . . . .	4,625	-
Cash payments for personal services. . . . .	(377,853)	(23,619)
Cash payments for contractual services . . . . .	(881,532)	-
Cash payments for materials and supplies . . . . .	(71,492)	-
Cash payments for utilities . . . . .	(58,619)	-
Cash payments for other expenses. . . . .	(46,129)	-
Net cash provided by (used in) operating activities . . . . .	149,303	(3,546)
<b>Cash flows from capital and related financing activities:</b>		
Acquisition of capital assets . . . . .	(1,060,843)	-
Principal payments on loans . . . . .	(219,097)	-
Interest and fiscal charges . . . . .	(89,717)	-
Capital contributions. . . . .	66,410	-
OWDA loan issuance . . . . .	1,089,558	-
Net cash used in capital and related financing activities . . . . .	(213,689)	-
<b>Cash flows from investing activities:</b>		
Interest received. . . . .	2,475	-
Net cash provided by investing activities . . . . .	2,475	-
Net decrease in cash and cash equivalents . . . . .	(61,911)	(3,546)
<b>Cash and cash equivalents at beginning of year . . . . .</b>	<b>1,228,554</b>	<b>159,217</b>
<b>Cash and cash equivalents at end of year . . . . .</b>	<b>\$ 1,166,643</b>	<b>\$ 155,671</b>
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>		
Operating loss. . . . .	\$ (123,800)	\$ (3,546)
Adjustments:		
Depreciation. . . . .	253,560	-
Changes in assets and liabilities:		
(Increase) in accounts receivable. . . . .	(9,376)	-
Decrease special assessment. . . . .	19,769	-
(Increase) in prepayments . . . . .	(354)	-
(Increase) in net pension asset . . . . .	(269)	-
(Increase) in deferred outflows - pension - OPERS . . . . .	(28,526)	-
Increase in accounts payable. . . . .	26,821	-
Increase in accrued wages and benefits . . . . .	1,650	-
(Decrease) in intergovernmental payable . . . . .	(530)	-
Increase in compensated absences payable . . . . .	4,853	-
Increase in net pension liability . . . . .	3,033	-
Increase deferred inflows - pension - OPERS . . . . .	2,472	-
Net cash provided by (used in) operating activities . . . . .	\$ 149,303	\$ (3,546)
<b>Noncash capital and related financing activities:</b>		

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SANDUSKY COUNTY**

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
DECEMBER 31, 2015

	<b>Investment Trust</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and investments . . . . .	\$ 6,357,157	\$ 4,804,278
Cash in segregated accounts. . . . .	-	921,329
Receivables:		
Real estate and other taxes . . . . .	-	45,349,548
Accounts . . . . .	210,477	84,561
Due from other governments. . . . .	-	2,258,808
Accrued interest . . . . .	4,251	-
Total assets . . . . .	\$ 6,571,885	\$ 53,418,524
<b>Liabilities:</b>		
Accounts payable . . . . .	\$ 122,651	\$ 73,995
Due to other governments . . . . .	45,968	3,288,060
Loans due to other funds. . . . .	-	55
Undistributed monies. . . . .	21,303	49,135,085
Deposits held and due to others . . . . .	-	921,329
Total liabilities . . . . .	189,922	53,418,524
<b>Net position:</b>		
Net position available for pool participants . . . . .	6,381,963	
Total liabilities and net position. . . . .	\$ 6,571,885	\$ 53,418,524

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SANDUSKY COUNTY**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
INVESTMENT TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 2015

	<b>Investment Trust</b>
<b>Additions:</b>	
Net increase in net position resulting from operations . . . .	\$ 188,129
Total additions . . . . .	188,129
 <b>Share transactions:</b>	
Purchase of units . . . . .	2,796,460
Redemption of units . . . . .	(2,938,093)
Net increase in net position and shares resulting from share transactions . . . . .	(141,633)
Change in net position . . . . .	46,496
<b>Net position at beginning of year . . . . .</b>	<b>6,335,467</b>
<b>Net position at end of year . . . . .</b>	<b>\$ 6,381,963</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

## SANDUSKY COUNTY

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

#### 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, component units, departments, boards and agencies that are not legally separate from the County. For Sandusky County, this includes the Sandusky County Board of Developmental Disabilities (DD); the Children Services Board; and other departments and activities that are directly operated by the elected County officials.

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

The basic financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

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

##### A. Reporting Entity

The County's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". The basic financial statements include all funds, agencies, boards, commissions, and component units for which the County and the County Commissioners are "accountable". Accountability as defined in GASB Statement No. 14, GASB Statement No. 39 and GASB Statement No. 61 was evaluated based on financial accountability, the nature and significance of the potential component unit's (PCU) relationship with the County and whether exclusion would cause the County's basic financial statements to be misleading or incomplete. Among the factors considered were separate legal standing; appointment of a voting majority of the PCU's Board; fiscal dependency and whether a benefit or burden relationship exists; imposition of will; and the nature and significance of the PCU's relationship with the County.

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

## SANDUSKY COUNTY

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015 (CONTINUED)

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

##### *COMPONENT UNITS*

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

##### *DISCRETELY PRESENTED COMPONENT UNIT*

The component unit columns in the financial statements present the financial data of the County's discretely presented component unit, the Sandusky Regional Airport Authority and the Sandusky County Transportation Improvement District. The Transportation Improvement District had no financial activity to report in 2015. They are reported separately to emphasize that they are legally separate from the County.

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

*Sandusky County Transportation Improvement District* - The Sandusky County Transportation Improvement District is a body corporate and politic established to plan, construct and improve highways, roads, bridges, interchanges and accompanying capital improvements and developments throughout Sandusky County. The District was formed under the Ohio Revised Code Chapter 5544.02, by action of the Board of Sandusky County Commissioners on May 22, 2012. The resolution to create the District states the Board shall consist of seven members. The members shall be appointed as follows: five (5) members shall be appointed by the County Commissioners; one (1) nonvoting member appointed by the Speaker of the Ohio House of Representatives of the general assembly; and one (1) nonvoting member appointed by the President of the Senate of the general assembly. Separately issued financial statements can be obtained from the Sandusky County Transportation Improvement District, 622 Croghan Street, Fremont Ohio 43420.

**SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(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

The County is associated with certain organizations which are defined as joint ventures with equity interest, a shared risk pool, and an insurance purchasing pool and a related organization as follows:

*JOINT VENTURES WITH EQUITY INTEREST*

*Ottawa, Sandusky, and Seneca County Solid Waste District*

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

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 \$1,234,834 at December 31, 2015. Financial information can be obtained from the Sandusky County Auditor, 100 North Park Avenue, Fremont, Ohio 43420-2472.

## SANDUSKY COUNTY

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015 (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 \$1,419,042 at December 31, 2015. Financial information can be obtained from the Sandusky County - Seneca County - City of Tiffin Port Authority, James Supance, Chairman, P.O. Box 767, Tiffin, Ohio 44883.

##### *Mental Health and Recovery Services Board of Seneca, Sandusky and Wyandot Counties*

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

The counties share in the equity of the MHRS Board based on the percentages of population within the three counties. Sandusky County's equity interest in this joint venture at December 31, 2015 is \$1,750,607.

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

## SANDUSKY COUNTY

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015 (CONTINUED)

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

##### *SHARED RISK POOL*

##### *County Risk Sharing Authority, Inc. (CORSA)*

The County Risk Sharing Authority, Inc., is a jointly governed organization among sixty-three counties and eighteen county facilities in Ohio. CORSA was formed as an Ohio nonprofit corporation for the purpose of establishing the CORSA Insurance/Self-Insurance Program, a group primary and excess insurance/self-insurance and risk management program. Member counties agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverages provided by CORSA. These coverages include comprehensive general liability, automobile liability, certain property insurance and public officials' errors and omissions liability insurance. The County paid \$268,932 to CORSA during 2015.

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

CORSA has issued certificates of participation in order to provide adequate cash reserves. The certificates are secured by the member counties' obligations to make coverage payments to CORSA. The participating counties have no responsibility for the payment of the certificates.

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

##### *INSURANCE PURCHASING POOL*

##### *County Commissioners Association of Ohio Workers' Compensation Group Rating Plan*

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



## SANDUSKY COUNTY

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015 (CONTINUED)

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

##### **B. Basis of Presentation**

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

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

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

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

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

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

## SANDUSKY COUNTY

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015 (CONTINUED)

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

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

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

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

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

#### *PROPRIETARY FUNDS*

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

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

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

## SANDUSKY COUNTY

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015 (CONTINUED)

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

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

#### *FIDUCIARY FUNDS*

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

#### **D. Basis of Accounting**

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

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

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

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

## SANDUSKY COUNTY

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015 (CONTINUED)

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

*Deferred Outflows of Resources and Deferred Inflows of Resources* - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the County, deferred outflows of resources have been reported for the following items related to the County's net pension liability: (1) the net difference between projected and actual investment earnings on pension plan assets, (2) the County's contributions to the pension systems subsequent to the measurement date and (3) differences between employer's contributions and the employer's proportional share of contributions.

In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the County, deferred inflows of resources include property taxes, payments in lieu of taxes and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of December 31, 2015, but which were levied to finance 2016 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the County unavailable revenue includes, but is not limited to, delinquent property taxes, income taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

The County also reports deferred inflow of resources for the following items related to the County's net pension liability: (1) differences between expected and actual experience and (2) differences between employer's contributions and the employer's proportional share of contributions. These deferred inflows of resources are only reported on the government-wide statement of net position.

*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.

## SANDUSKY COUNTY

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015 (CONTINUED)

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

##### **E. Budgetary Data**

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

The certificate of estimated resources may be amended during the year if projected increases or the County Auditor identifies decreases in revenue. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts are on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during 2015.

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

##### **F. Cash and Investments**

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

During 2015, investments were limited to federal agency securities and negotiable and nonnegotiable certificates of deposit. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during 2015 amounted to \$198,275 which includes \$151,485 assigned from other County funds.

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

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

**SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(CONTINUED)

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

**G. External Investment Pool**

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

Condensed financial information for the investment pool is as follows:

**Statement of Net Position  
December 31, 2015**

<hr/>	
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 43,774,499
Accrued interest receivable	69,741
Total	\$ 43,844,240
 <u>Net position held in trust for participants:</u>	
Internal portion	\$ 37,487,083
External portion	6,357,157
Total	\$ 43,844,240

**Statement of Changes in Net Position  
For the Year Ended December 31, 2015**

<hr/>	
<u>Revenue:</u>	
Interest income	\$ 188,129
 <u>Expenses:</u>	
Operating expenses	-
Net increase in assets resulting from operations	188,129
Distribution to pool participants	(73,993)
 <u>Capital transactions:</u>	
Proceeds of investments sold	(41,878,790)
Purchase of investments	43,774,499
Total increase in net position	2,009,845
Net position, beginning of year	41,834,395
Net position, end of year	\$ 43,844,240

**SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(CONTINUED)

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

**H. Inventories of Materials and Supplies**

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

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

**I. Capital Assets**

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

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

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

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

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

Capitalized interest is amortized on the straight-line method over the estimated useful life of the asset. For 2015, the net interest expense incurred on proprietary fund construction projects was not material.

## SANDUSKY COUNTY

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015 (CONTINUED)

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

##### **J. Compensated Absences**

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is based on the sick leave accumulated at December 31, 2015, 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, 2015 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, 2015, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

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

##### **L. Interfund Balances**

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



## SANDUSKY COUNTY

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015 (CONTINUED)

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

##### **M. Loans Receivable**

Loans receivable represent the right to receive repayment for certain loans made by the County. These loans are based upon written agreements between the County and the various loan recipients. Reported loans receivable is offset by a restricted for loans fund balance in the governmental special revenue fund types.

##### **N. Accrued Liabilities and Long-term Obligations**

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

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

##### **O. Interfund Transactions**

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

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

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

##### **P. Fund Balance**

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

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

## SANDUSKY COUNTY

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015 (CONTINUED)

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

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

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

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

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

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

#### **Q. Contributions of Capital**

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, or from grants or outside contributions of resources restricted to capital acquisition and construction. During fiscal year 2015, \$66,410 was contributed to the sanitary sewer fund from the Ohio Public Works Commission for the various projects.

#### **R. Operating Revenues and Expenses**

Operating revenues are those that are generated directly from the primary activities of the proprietary funds. For the County, these revenues are charges for services for the sewer and workers compensation programs. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the fund. All revenues and expenses not meeting these definitions are reported as nonoperating.

## SANDUSKY COUNTY

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015 (CONTINUED)

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

##### **S. Net Position**

Net position represents the difference between assets plus deferred outflows of resources less liabilities and less deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The County applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

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

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

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

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

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

##### **U. Estimates**

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

##### **V. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

**SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(CONTINUED)

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

**W. 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 2015.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles/Restatement of Net Position**

For 2015, the County implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68".

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 affected the County's pension plan disclosures, as presented in Note 15 to the financial statements, and added required supplementary information which is presented after the notes to the basic financial statements.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

**SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(CONTINUED)

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

A net position restatement is required in order to implement GASB Statement No 68 and 71. The governmental activities and business-type activities at January 1, 2015 have been restated as follows:

	Governmental Activities
Net position as previously reported	\$ 79,804,316
Deferred outflows - payments subsequent to measurement date	3,190,803
Deferred inflows	(122,391)
Net pension asset	6,214
Net pension liability	(8,754,737)
Restated net position at January 1, 2015	\$ 74,124,205
	Business-Type Activities <u>Sanitary Sewer</u>
Net position as previously reported	\$ 5,022,061
Deferred outflows - payments subsequent to measurement date	51,210
Deferred inflows	
Net pension asset	101
Pension expense	
Net pension liability	(131,251)
Restated net position at January 1, 2015	\$ 4,942,121

Other than employer contributions subsequent to the measurement date, the County made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available. The restatement had no effect on governmental fund balances.

**B. Deficit Fund Balances**

Fund balances at December 31, 2015 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Pilot probation	\$ 4,520
Homeland security grant	148,585
Work release earnings	170
Juvenile re-entry grant	22,411
Citizens corp grant	15,500
Selective traffic enforcement program	1,229
Impaired driving enforcement program	3,071

The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

## SANDUSKY COUNTY

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015 (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,
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.

## SANDUSKY COUNTY

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015 (CONTINUED)

#### NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 \$300 in undeposited cash on hand which is included on the financial statements of the County as part of "equity in pooled cash and investments".

##### B. Cash in Segregated Accounts

At year end, \$1,210,343 was on deposit in segregated accounts used by various County departments, and included in the total amount of deposits reported below; however, this amount is not part of the internal cash pool reported on the financial statements as "equity in pooled cash and investments". The carrying value of these deposits was \$921,329 at December 31, 2015.

##### C. Cash and Cash Equivalents with Fiscal Agents

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

##### D. Deposits with Financial Institutions

At December 31, 2015, the carrying amount of all County deposits, including nonnegotiable certificates of deposit and cash in segregated accounts, was \$24,085,376. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2015, \$21,830,535 of the County's bank balance of \$24,547,682 was exposed to custodial risk as discussed below, while \$2,717,149 was covered by the FDIC.

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

**SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(CONTINUED)

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

department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

**E. Investments**

As of December 31, 2015, the County had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>			
		<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
Negotiable CD's	\$ 5,664,817	\$ 250,395	\$ 250,485	\$ -	\$ 5,163,937
FHLB	6,494,560	-	997,370	-	5,497,190
FNMA	1,993,910	-	-	992,940	1,000,970
FHLMC	<u>6,456,865</u>	<u>-</u>	<u>-</u>	<u>1,000,720</u>	<u>5,456,145</u>
Total	<u>\$ 20,610,152</u>	<u>\$ 250,395</u>	<u>\$ 1,247,855</u>	<u>\$ 1,993,660</u>	<u>\$ 17,118,242</u>

The weighted average maturity of investments is 1.90 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 negotiable certificates of deposit, were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The negotiable certificates of deposit are not rated.

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

*Concentration of Credit Risk:* The County places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the County at December 31, 2015:



**SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(CONTINUED)

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

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
Negotiable CD's	\$ 5,664,817	27.49
FHLB	6,494,560	31.51
FNMA	1,993,910	9.67
FHLMC	<u>6,456,865</u>	<u>31.33</u>
Total	<u>\$ 20,610,152</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of December 31, 2015:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 23,164,047
Investments	20,610,152
Cash in segregated accounts	921,329
Cash and cash equivalents with fiscal agent	56,144
Cash on hand	<u>300</u>
Total	<u>\$ 44,751,972</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 31,502,565
Business-type activities	1,166,643
Investment trust	6,357,157
Agency funds	<u>5,725,607</u>
Total	<u>\$ 44,751,972</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. Interfund transfers for the year ended December 31, 2015, consisted of the following, as reported on the fund financial statements:

<u>Transfer to nonmajor governmental funds from:</u>	<u>Amount</u>
General fund	\$ 1,557,163
Nonmajor governmental funds	<u>5,000</u>
Total	<u>\$ 1,562,163</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.

**SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(CONTINUED)

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

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

**B. Interfund loans payable/receivable consisted of the following at December 31, 2015:**

<u>Receivable funds</u>	<u>Payable funds</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	\$ 187,633
Nonmajor governmental funds	General fund	139,107
Nonmajor governmental funds	Enterprise fund	<u>12,000</u>
Total		<u>\$ 338,740</u>

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

**C. Loans between governmental funds and agency funds are reported as “loans due from/to other funds” on the financial statements. The County had the following loans outstanding at December 31, 2015:**

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

**NOTE 6 - PROPERTY TAXES**

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

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2015 public utility property taxes became a lien December 31, 2014, are levied after October 1, 2015, and are collected in 2016 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

**SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(CONTINUED)

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County. Property taxes receivable represents real property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2015 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by a deferred inflow of resources since the current taxes were not levied to finance 2015 operations and the collection of delinquent taxes has been offset by deferred inflow of resources since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is considered a deferred inflow of resources.

The full tax rate for all County operations, excluding 911 operations, for the year ended December 31, 2014 was \$9.80 per \$1,000 of assessed value. The full tax rate for the County 911 operations, excluding the City of Bellevue and the Village of Green Springs, for the year ended December 31, 2014 was \$0.30 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2014 property tax receipts were based are as follows:

Real property

Residential/agricultural	\$ 980,925,430
Commercial/industrial/mineral	205,244,930

Public utility

Real	809,320
Personal	80,405,050
Total assessed value	<u>\$ 1,267,384,730</u>

**NOTE 7 - PERMISSIVE SALES AND USE TAX**

In 1979, the County Commissioners, by resolution, imposed a 0.5 percent tax on all retail sales made in the County, except sales of motor vehicles. In 1989, the percentage increased to 1 percent. In 2005, an additional 0.25 percent tax was levied and earmarked solely for emergency medical services. In 2010, an additional 0.25 percent tax was levied for general operations. The tax included the storage, use, or consumption of tangible personal property in the County, including motor vehicles not subject to the sales tax. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the Office of Budget and Management the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of each month. The Office of Budget and Management then has five days in which to draw the warrant payable to the County.

Proceeds of the tax are credited entirely to the general fund and emergency management system fund, a nonmajor governmental fund. Amounts that are measurable and available at year end are accrued as revenue on the fund financial statements. Permissive sales and use tax revenue totaled \$11,270,051 in 2015.

**SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(CONTINUED)

**NOTE 8 - RECEIVABLES**

Receivables at December 31, 2015, consisted of taxes, accounts (billings for user charged services), interfund transactions related to charges for goods and services rendered, intergovernmental receivables arising from grants, entitlements and shared revenue, special assessments, accrued interest, and loans. All intergovernmental receivables have been classified as “due from other governments” on the financial statements. Receivables have been recorded as described in Note 2.D. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

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

**Governmental activities:**

Sales taxes	\$ 2,895,020
Real estate and other taxes	11,087,003
Accounts	1,058,998
Special assessments	237,823
Accrued interest	69,741
Due from other governments	4,355,110
Loans	44,007

**Business-type activities:**

Accounts	114,337
Special assessments	22,235

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 2015.

Loans receivable at 12/31/14	\$ 54,739
Principal payments received in 2015	<u>(10,732)</u>
Loans receivable at 12/31/15	<u>\$ 44,007</u>

**SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(CONTINUED)

**NOTE 10 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2015 was as follows:

<b><u>Governmental activities:</u></b>	<u>Balance</u> <u>12/31/2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/2015</u>
<i>Capital asset not being depreciated:</i>				
Land	\$ 1,407,198	\$ -	\$ -	\$ 1,407,198
Construction in progress	942,114	133,447	(1,075,561)	-
Total capital assets not being depreciated:	<u>2,349,312</u>	<u>133,447</u>	<u>(1,075,561)</u>	<u>1,407,198</u>
 <i>Capital assets, being depreciated:</i>				
Land improvements	1,384,371	-	-	1,384,371
Buildings and improvements	27,854,792	1,075,561	-	28,930,353
Furniture and equipment	7,334,446	785,579	(149,192)	7,970,833
Vehicles	8,074,291	614,080	(25,619)	8,662,752
Infrastructure	42,675,432	777,978	(346,906)	43,106,504
Total capital assets, being depreciated:	<u>87,323,332</u>	<u>3,253,198</u>	<u>(521,717)</u>	<u>90,054,813</u>
 <i>Less: accumulated depreciation:</i>				
Land improvements	(1,091,136)	(33,619)	-	(1,124,755)
Buildings and improvements	(13,532,464)	(669,287)	-	(14,201,751)
Furniture and equipment	(5,137,641)	(391,052)	96,979	(5,431,714)
Vehicles	(5,647,578)	(582,643)	25,619	(6,204,602)
Infrastructure	(18,255,789)	(1,424,557)	237,662	(19,442,684)
Total accumulated depreciation	<u>(43,664,608)</u>	<u>(3,101,158)</u>	<u>360,260</u>	<u>(46,405,506)</u>
Total capital assets, being depreciated net	<u>43,658,724</u>	<u>152,040</u>	<u>(161,457)</u>	<u>43,649,307</u>
 Governmental activities capital assets, net	 <u>\$ 46,008,036</u>	 <u>\$ 285,487</u>	 <u>\$ (1,237,018)</u>	 <u>\$ 45,056,505</u>

**SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(CONTINUED)

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

<b><u>Business-type activities:</u></b>	<u>Balance</u> 01/01/2015	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> 12/31/2015
<i>Capital asset not being depreciated:</i>				
Land	\$ 56,828	\$ 9,500	\$ -	\$ 66,328
Construction in progress	1,753,354	538,312	-	2,291,666
Total capital assets not being depreciated:	<u>1,810,182</u>	<u>547,812</u>	<u>-</u>	<u>2,357,994</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	105,384	-	-	105,384
Buildings and improvements	667,123	-	-	667,123
Furniture and equipment	674,092	-	-	674,092
Vehicles	153,118	55,589	-	208,707
Infrastructure	<u>10,666,635</u>	<u>-</u>	<u>-</u>	<u>10,666,635</u>
Total capital assets, being depreciated:	<u>12,266,352</u>	<u>55,589</u>	<u>-</u>	<u>12,321,941</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(78,713)	(3,460)	-	(82,173)
Buildings and improvements	(588,324)	(5,681)	-	(594,005)
Furniture and equipment	(601,280)	(20,495)	-	(621,775)
Vehicles	(128,810)	(10,591)	-	(139,401)
Infrastructure	<u>(5,542,580)</u>	<u>(213,333)</u>	<u>-</u>	<u>(5,755,913)</u>
Total accumulated depreciation	<u>(6,939,707)</u>	<u>(253,560)</u>	<u>-</u>	<u>(7,193,267)</u>
Total capital assets, being depreciated net	<u>5,326,645</u>	<u>(197,971)</u>	<u>-</u>	<u>5,128,674</u>
Business-type activities capital assets, net	<u>\$ 7,136,827</u>	<u>\$ 349,841</u>	<u>\$ -</u>	<u>\$ 7,486,668</u>

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

<b><u>Governmental activities:</u></b>	
Legislative and executive	\$ 262,698
Judicial	52,938
Public safety	533,136
Public works	1,857,986
Health	51,788
Human services	278,916
Economic development and assistance	<u>63,696</u>
Total depreciation expense - governmental	<u>\$ 3,101,158</u>
<b><u>Business-type activities:</u></b>	
Sanitary sewer	<u>\$ 253,560</u>

**SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(CONTINUED)

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

In the current and prior years, the County entered into lease agreements for postage meters, lease agreements for copier equipment, a lease agreement for printers and a lease agreement for an ambulance. These lease agreements meet the criteria of a capital lease as defined by generally accepted accounting principles which defines a capital lease generally as one which transfers the benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reported as function expenditures in the budgetary statements.

General capital assets consisting of equipment and vehicles have been capitalized in the statement of net position in the amount of \$573,121. This amount represents the present value of the minimum lease payments at the time of the lease inception. A corresponding liability was recorded in the statement of net position. Accumulated depreciation as of December 31, 2015 was \$400,776, leaving a current book value of \$172,345. During 2015, principal and interest payments totaled \$64,671 and \$11,122, respectively, paid by the general fund, EMS fund and the county board of DD fund. As of December 31, 2015, the liability for capital lease obligation included in the long-term liabilities of governmental activities totaled \$181,210.

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, 2015:

<u>Year Ended</u> <u>December 31,</u>	<u>Amount</u>
2016	\$ 75,793
2017	60,229
2018	35,598
2019	<u>24,272</u>
Total	195,892
Less: amount representing interest	<u>(14,682)</u>
Present value of net minimum lease payments	<u><u>\$ 181,210</u></u>

**NOTE 12 - COMPENSATED ABSENCES**

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

**SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(CONTINUED)

**NOTE 13 - LONG-TERM OBLIGATIONS**

The long-term obligations have been restated as described in Note 3. A schedule of changes in long-term obligations of the County during 2015 follows:

<u>Governmental activities:</u>	Interest Rate	Restated Balance 12/31/14	Additions	Reductions	Balance 12/31/15	Amount Due in One Year
<u>Special obligation bonds:</u>						
Series A refunding - 2012	1.50-2.50%	\$ 2,370,000	\$ -	\$ (375,000)	\$ 1,995,000	\$ 380,000
Series B - 2012	1.375 - 3.25%	490,000	-	(30,000)	460,000	35,000
Series C - 2012	0.90 - 4.00%	1,445,000	-	(95,000)	1,350,000	100,000
Total special obligation bonds		<u>4,305,000</u>	<u>-</u>	<u>(500,000)</u>	<u>3,805,000</u>	<u>515,000</u>
<u>Special assessment bonds:</u>						
Emch Ditch	5.00%	11,803	-	(3,520)	8,283	3,520
Cedar Ridge Ditch	3.00%	10,560	-	(5,902)	4,658	5,901
Total special assessment bonds		<u>22,363</u>	<u>-</u>	<u>(9,422)</u>	<u>12,941</u>	<u>9,421</u>
<u>Other long-term obligations:</u>						
Compensated absences payable		1,804,711	1,775,070	(1,183,399)	2,396,382	1,849,276
OPWC loan payable		113,698	-	(3,790)	109,908	3,790
Capital lease obligations		245,881	-	(64,671)	181,210	68,049
Net pension liability		8,754,737	233,223	-	8,987,960	-
Total other long-term obligations		<u>10,919,027</u>	<u>2,008,293</u>	<u>(1,251,860)</u>	<u>11,675,460</u>	<u>1,921,115</u>
Total governmental obligations		<u>\$ 15,246,390</u>	<u>\$ 2,008,293</u>	<u>\$ (1,761,282)</u>	15,493,401	<u>\$ 2,445,536</u>
				Add: Unamortized premium on bond issue:	38,825	
				Less: Unamortized discount on bond issue:	(7,141)	
					<u>\$ 15,525,085</u>	



**SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(CONTINUED)

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

<u>Business-type activities:</u>	Restated Balance 1/1/15	Additions	Reductions	Balance 12/31/15	Amount Due in One Year
<u>Ohio Water Pollution Control loan:</u>					
Sandusky/Rice Joint Sewer Improvement	\$ 446,452	\$ -	\$ (66,965)	\$ 379,487	\$ 69,780
Rice Township Sewer Improvement	119,856	-	(17,978)	101,878	18,733
Rice Township/Shorewood Sewer Improvements	19,119	-	(2,658)	16,461	2,755
State Route 6 Sanitary Sewer	380,503	-	(24,549)	355,954	24,549
Route 53 Area Sewers	50,104	-	(5,924)	44,180	6,141
Grandview Lift Station	543,209	-	(22,963)	520,246	25,072
Pump Station Improvements	246,490	1,385	(10,228)	237,647	10,228
Hayes Ave Sewer Replacement	789,035	405,435	(43,862)	1,150,608	43,862
Hayes Ave Sewer Phase 2	-	682,738	-	682,738	-
Total OWPCLF Loans	<u>2,594,768</u>	<u>1,089,558</u>	<u>(195,127)</u>	<u>3,489,199</u>	<u>201,120</u>
<u>Ohio Public Works Commission loans:</u>					
Sunny Acres Sewer Improvements	14,954	-	(2,492)	12,462	2,493
Rice Township Sewer Improvements - Phase II	44,841	-	(6,406)	38,435	6,405
Rice/Sandusky Sewer Improvements	75,238	-	(9,405)	65,833	9,406
Ireland Lift Station	170,000	-	(5,667)	164,333	5,667
Total OPWC Loans	<u>305,033</u>	<u>-</u>	<u>(23,970)</u>	<u>281,063</u>	<u>23,971</u>
<u>Other long-term obligations:</u>					
Net pension liability	131,251	3,033	-	134,284	-
Compensated absences payable	<u>30,585</u>	<u>21,033</u>	<u>(16,180)</u>	<u>35,438</u>	<u>20,539</u>
Total business-type obligations	<u>\$ 3,061,637</u>	<u>\$ 1,113,624</u>	<u>\$ (235,277)</u>	<u>\$ 3,939,984</u>	<u>\$ 245,630</u>

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

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

The refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The balance of the refunded general obligation bonds at December 31, 2015, is \$2,035,000.

## SANDUSKY COUNTY

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015 (CONTINUED)

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

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

The series 2012C special obligation federally taxable sales tax supported bonds for the airport facilities and equipment acquisition project issue is comprised of \$810,000 in serial bonds and \$850,000 in term bonds. The interest rate on the current interest bonds range from 0.900% to 2.950%. The bonds were issued for an eight year period, with a final stated maturity date of December 1, 2020. The interest rate on the term bond is 4.00% with a final stated maturity date of December 1, 2027. The bonds will be retired through the debt service fund.

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

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

The County entered into five 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, 2015, the County has outstanding borrowings of \$390,971. 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 and debt service funds.

The County entered into nine 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, 2015, the County has outstanding borrowings of \$3,489,199. The phase one and phase two Hayes Avenue sewer replacement project amortization schedules have not been completed at December 31, 2015 and are not included in the amortization schedules shown below. The loan agreements require semi-annual payments based on the actual amount loaned. The loans are payable from the sanitary sewer fund.

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

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

**SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(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 \$26,487,502 at December 31, 2015 and the unvoted legal debt margin was \$8,976,731 at December 31, 2015.

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

Year Ended	Special Obligation Bonds			Special Assessment Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 515,000	\$ 109,685	\$ 624,685	\$ 9,421	\$ 624	\$ 10,045
2017	510,000	99,375	609,375	3,520	106	3,626
2018	515,000	86,890	601,890	-	-	-
2019	510,000	73,930	583,930	-	-	-
2020	295,000	59,020	354,020	-	-	-
2021 - 2025	1,105,000	170,585	1,275,585	-	-	-
2026 - 2027	355,000	20,388	375,388	-	-	-
Total	<u>\$ 3,805,000</u>	<u>\$ 619,873</u>	<u>\$ 4,424,873</u>	<u>\$ 12,941</u>	<u>\$ 730</u>	<u>\$ 13,671</u>

Year Ended	OPWC Loan		
	Principal	Interest	Total
2016	\$ 3,790	\$ -	\$ 3,790
2017	3,790	-	3,790
2018	3,790	-	3,790
2019	3,790	-	3,790
2020	3,790	-	3,790
2021 - 2025	18,950	-	18,950
2026 - 2030	18,950	-	18,950
2031 - 2035	18,950	-	18,950
2036 - 2040	18,950	-	18,950
2041 - 2044	15,158	-	15,158
Total	<u>\$ 109,908</u>	<u>\$ -</u>	<u>\$ 109,908</u>

**SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(CONTINUED)

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

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

Year Ended	OPWC Loans			OWPCLF Loans		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 23,969	\$ -	\$ 23,969	\$ 147,031	\$ 35,942	\$ 182,973
2017	23,969	-	23,969	151,800	31,173	182,973
2018	23,969	-	23,969	156,759	26,214	182,973
2019	23,969	-	23,969	161,914	21,059	182,973
2020	23,969	-	23,969	167,274	15,698	182,972
2021 - 2025	53,548	-	53,548	288,563	46,248	334,811
2026 - 2030	28,333	-	28,333	286,872	22,463	309,335
2031 - 2035	28,333	-	28,333	57,993	1,666	59,659
2036 - 2040	28,333	-	28,333	-	-	-
2041 - 2044	22,671	-	22,671	-	-	-
Total	<u>\$ 281,063</u>	<u>\$ -</u>	<u>\$ 281,063</u>	<u>\$ 1,418,206</u>	<u>\$ 200,463</u>	<u>\$ 1,618,669</u>

**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 2015, 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	5,000,000
Property	120,079,673
Equipment Breakdown	100,000,000
Crime Insurance:	
Faithful Performance	1,000,000

**SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(CONTINUED)

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

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

**B. Health and Vision Insurance**

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

	<u>Family Coverage</u>	<u>Single Coverage</u>
CEBCO	\$ 1,461.25	\$ 554.35

**C. Insurance Purchasing Pool**

For 2015, the County participated in the County Commissioners Association of Ohio Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool (See Note 2). The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. In order to allocate the savings derived by formation of the Plan, and to maximize the number of participants in the Plan, the Plan's executive committee annually calculates the total savings which accrued to the Plan through its formation. This savings is then compared to the overall savings percentage of the Plan. The Plan's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. Participation in the Plan is limited to counties that can meet the Plan's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the Plan. Each year, the County pays an enrollment fee to the Plan to cover the costs of administering the program.

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

**D. Natural Gas**

The County participates in the County Commissioners Association of Ohio Service Corporation National Gas Program (the Program), a natural gas cost savings pool. There are currently over 50 counties participating. The program allows additional counties and/or additional county facilities to join at any time. Approximate savings range from \$0.50-\$1.00 per metric cubic foot and this savings has been maintained since the inception of the program. The program is administered through Palmer Energy.

## SANDUSKY COUNTY

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015 (CONTINUED)

#### NOTE 15 - DEFINED BENEFIT PENSION PLANS

##### *Net Pension Liability/Asset*

The net pension liability/asset reported on the statement of net position represents a liability or asset to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability/asset represents the County's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability/asset calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the County's obligation for this liability to annually required payments. The County cannot control benefit terms or the manner in which pensions are financed; however, the County does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes any net pension liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits or overfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *due to other governments/pension obligation payable* on both the accrual and modified accrual bases of accounting.

##### *Plan Description - Ohio Public Employees Retirement System (OPERS)*

Plan Description - County employees participate 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 and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. County employees) may elect the Member-Directed Plan and the Combined Plan, substantially all employee members are in OPERS' Traditional Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the Traditional Pension Plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by

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**NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)**

calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the Traditional Pension Plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

<b>Group A</b> Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	<b>Group B</b> 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	<b>Group C</b> Members not in other Groups and members hired on or after January 7, 2013
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
<b>Public Safety</b>	<b>Public Safety</b>	<b>Public Safety</b>
<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
<b>Law Enforcement</b>	<b>Law Enforcement</b>	<b>Law Enforcement</b>
<b>Age and Service Requirements:</b> Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
<b>Public Safety and Law Enforcement</b>	<b>Public Safety and Law Enforcement</b>	<b>Public Safety and Law Enforcement</b>
<b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	<b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	<b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple

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**NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)**

annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.0% to the member's FAS for the first 30 years of service. A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions. Members retiring under the Combined Plan receive a 3% COLA adjustment on the defined benefit portion of their benefit.

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS's Board of Trustees. Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year. For additional information, see the Plan Statement in the OPERS CAFR.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<u>State and Local</u>	<u>Public Safety</u>	<u>Law Enforcement</u>
<b>2015 Statutory Maximum Contribution Rates</b>			
Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	12.0 %	12.0 %
<b>2015 Actual Contribution Rates</b>			
Employer:			
Pension	12.0 %	14.1 %	14.1 %
Post-employment Health Care Benefits	2.0 %	4.0 %	4.0 %
Total Employer	<u>14.0 %</u>	<u>18.1 %</u>	<u>18.1 %</u>
Employee	<u>10.0 %</u>	<u>11.5 %</u>	<u>12.1 %</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.



## SANDUSKY COUNTY

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015 (CONTINUED)

#### **NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)**

The County's contractually required contribution for both the Traditional Pension Plan and the Combined Plan was \$3,072,080 for 2015. Of this amount, \$438,482 is reported as pension and postemployment benefits payable.

#### ***Plan Description - State Teachers Retirement System (STRS)***

Plan Description - County licensed teachers participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://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. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC Plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)**

years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For January 1, 2015 through June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. For July 1, 2015 through December 31, 2015, plan members were required to contribute 13 percent of their annual covered salary. The County was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The 2015 contribution rates were equal to the statutory maximum rates.

The County's contractually required contribution to STRS was \$52,821 for 2015.

***Pension Liabilities/Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

The net pension liability and net pension asset for the OPERS Traditional Pension Plan and Combined Plan, respectively, were measured as of December 31, 2014, and the total pension liability or asset used to calculate the net pension liability or asset was determined by an actuarial valuation as of that date. STRS total pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability or asset was based on the County's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS	STRS	Total
Proportionate share of the net pension liability	\$ 8,414,481	\$ 707,763	\$ 9,122,244
Proportionate share of the net pension asset	23,170	-	23,170
Proportion of the net pension liability	0.07835500%	0.00256092%	
Proportion of the net pension asset	0.06758600%	0.00000000%	
Pension expense	\$ 1,612,733	\$ 88,115	\$ 1,700,848

**SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)**

At December 31, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ -	\$ 37,042	\$ 37,042
Net difference between projected and actual earnings on pension plan investments	450,384	-	450,384
Difference between employer contributions and proportionate share of contributions	1,473,906	10,784	1,484,690
County contributions subsequent to the measurement date	<u>3,072,081</u>	<u>28,652</u>	<u>3,100,733</u>
Total deferred outflows of resources	<u>\$ 4,996,371</u>	<u>\$ 76,478</u>	<u>\$ 5,072,849</u>
<b>Deferred inflows of resources</b>			
Differences between expected and actual experience	\$ 154,896	\$ -	\$ 154,896
Net difference between projected and actual earnings on pension plan investments	-	142,695	142,695
Difference between employer contributions and proportionate share of contributions	<u>-</u>	<u>36,350</u>	<u>36,350</u>
Total deferred inflows of resources	<u>\$ 154,896</u>	<u>\$ 179,045</u>	<u>\$ 333,941</u>

\$3,100,732 reported as deferred outflows of resources related to pension resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability/asset in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>OPERS</u>	<u>STRS</u>	<u>Total</u>
Year Ending December 31:			
2016	\$ 723,613	\$ (40,057)	\$ 683,556
2017	723,613	(40,057)	683,556
2018	214,118	(40,055)	174,063
2019	111,757	(11,050)	100,707
2020	(841)	-	(841)
Thereafter	<u>(2,865)</u>	<u>-</u>	<u>(2,865)</u>
Total	<u>\$ 1,769,395</u>	<u>\$ (131,219)</u>	<u>\$ 1,638,176</u>

**SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)**

***Actuarial Assumptions - OPERS***

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage inflation	3.75 percent
Future salary increases, including inflation COLA or ad hoc COLA	4.25 to 10.05 percent including wage inflation 3 percent, simple
Investment rate of return	8 percent
Actuarial cost method	Individual entry age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95 percent for 2014.

**SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)**

The allocation of investment assets with the Defined Benefit portfolio is approved by the OPERS Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed income	23.00 %	2.31 %
Domestic equities	19.90	5.84
Real estate	10.00	4.25
Private equity	10.00	9.25
International equities	19.10	7.40
Other investments	18.00	4.59
<b>Total</b>	<b>100.00 %</b>	<b>5.28 %</b>

**Discount Rate** - The discount rate used to measure the total pension liability/asset was 8 percent for both the Traditional Pension Plan and the Combined Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - The following table presents the County's proportionate share of the net pension liability/asset calculated using the current period discount rate assumption of 8 percent, as well as what the County's proportionate share of the net pension liability/asset would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
County's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	\$ 17,386,191	\$ 8,414,481	\$ 2,766,715
Combined Plan	\$ 3,379	\$ (23,170)	\$ (49,338)

**SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)**

*Actuarial Assumptions - STRS*

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males’ ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS’ investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	<u>1.00</u>	3.00
Total	<u><u>100.00 %</u></u>	

**Discount Rate** - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS’ fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was

**SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)**

applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

**Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - The following table presents the County's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
County's proportionate share of the net pension liability	\$ 983,137	\$ 707,763	\$ 474,894

**NOTE 16 - POSTRETIREMENT BENEFIT PLANS**

**A. Ohio Public Employees Retirement**

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

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

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (800) 222-7377.

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2015 local government employers contributed 14.00% of covered payroll (18.10% for public safety and law enforcement). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan and Combined Plan for 2015 was 2.00% for members in the state and local category and 4.00% for members in the public safety and law enforcement categories.

## SANDUSKY COUNTY

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015 (CONTINUED)

#### NOTE 16 - POSTEMPLOYMENT 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, 2015, 2014, and 2013 were \$504,994, \$190,464 and \$81,573, respectively; 87.74% has been contributed for 2015 and 100% has been contributed for 2014 and 2013. The remaining 2015 post-employment health care benefits liability has been reported as pension and postemployment benefits payable on the basic financial statements.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under State Bill 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4.00% of the employer contributions toward the health care fund after the end of the transition period.

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

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

Funding Policy - Ohio law authorizes STRS 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. 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 2015, STRS did not allocate any percentage of employer contributions to the Health Care Stabilization Fund. The County's contributions for health care for the years ended December 31, 2015, 2014 and 2013 were \$0, \$1,387 and \$2,620, respectively. The full amount has been contributed for 2015, 2014 and 2013.

#### NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

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

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund, motor vehicle and gas tax fund, human services fund and County Board of DD fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);



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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 17 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis);
- (e) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (f) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

**Net Change in Fund Balance**

	<u>General Fund</u>	<u>Human Services</u>	<u>County Board of DD</u>
Budget basis	\$ (431,123)	\$ (334,597)	\$ 1,250,539
Net adjustment for revenue accruals	176,075	315,706	217,322
Net adjustment for expenditure accruals	(144,374)	(24,394)	187,454
Net adjustment for other sources/uses	(3,819,026)	-	-
Funds budgeted elsewhere	3,552,085	-	-
Adjustment for encumbrances	<u>216,040</u>	<u>279,485</u>	<u>384,051</u>
GAAP basis	<u>\$ (450,323)</u>	<u>\$ 236,200</u>	<u>\$ 2,039,366</u>

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

**SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(CONTINUED)

**NOTE 18 - FUND BALANCE**

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

Fund balance	General	Human Services	County Board of DD	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Materials and supplies inventory	\$ 133,719	\$ 11,133	\$ 12,434	\$ 532,809	\$ 690,095
Prepays	115,456	63,534	-	48,916	227,906
Unclaimed monies	<u>378,157</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>378,157</u>
Total nonspendable	<u>627,332</u>	<u>74,667</u>	<u>12,434</u>	<u>581,725</u>	<u>1,296,158</u>
Restricted:					
Legislative and executive operations	-	-	-	1,001,882	1,001,882
Judicial	-	-	-	2,351,000	2,351,000
Public safety programs	23,629	-	-	4,591,769	4,615,398
Public works projects	-	-	-	1,637,458	1,637,458
Health programs	-	-	-	150,464	150,464
Human services programs	-	1,474,957	9,980,001	1,027,260	12,482,218
Economic development and assistance	-	-	-	268,308	268,308
Debt service	-	-	-	107,884	107,884
Loans	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,007</u>	<u>44,007</u>
Total restricted	<u>23,629</u>	<u>1,474,957</u>	<u>9,980,001</u>	<u>11,180,032</u>	<u>22,658,619</u>
Committed:					
Legislative and executive operations	1,311	-	-	-	1,311
Judicial	-	-	-	619,353	619,353
Capital projects	-	-	-	3,581,926	3,581,926
Termination benefits	<u>2,479</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,479</u>
Total committed	<u>3,790</u>	<u>-</u>	<u>-</u>	<u>4,201,279</u>	<u>4,205,069</u>
Assigned:					
Legislative and executive operations	31,359	-	-	-	31,359
Public safety programs	41,709	-	-	-	41,709
Human services programs	2,324	-	-	-	2,324
Subsequent year appropriations	<u>1,264,793</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,264,793</u>
Total assigned	<u>1,340,185</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,340,185</u>
Unassigned (deficit)	<u>4,412,441</u>	<u>-</u>	<u>-</u>	<u>(195,486)</u>	<u>4,216,955</u>
Total fund balances	<u>\$ 6,407,377</u>	<u>\$ 1,549,624</u>	<u>\$ 9,992,435</u>	<u>\$ 15,767,550</u>	<u>\$ 33,716,986</u>

**SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(CONTINUED)

**NOTE 19 - OTHER COMMITMENTS**

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 76,704
Human Services	173,514
County Board of DD Fund	225,054
Other governmental	<u>590,907</u>
Total	<u>\$ 1,066,179</u>

**NOTE 20 - CONTINGENT LIABILITIES**

**A. Grants**

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

**B. Litigation**

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

**NOTE 21 - SANDUSKY REGIONAL AIRPORT AUTHORITY**

**A. Description of the Entity**

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

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

**B. Basis of Accounting**

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

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

**SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(CONTINUED)

**NOTE 21 - SANDUSKY REGIONAL AIRPORT AUTHORITY - (Continued)**

**C. Property, Plant and Equipment**

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

**D. Equity in Pooled Deposits**

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

Demand deposits	<u>\$ 166,819</u>
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**E. Risk Management**

The Authority has obtained commercial insurance for the following risks:

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

**F. Contingent Liability**

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

**NOTE 22 - SANDUSKY COUNTY TRANSPORTATION IMPROVEMENT DISTRICT**

**A. Description of the Entity**

The Sandusky County Transportation Improvement District, Sandusky County, Ohio (the District) is a body corporate and politic established to plan, construct and improve highways, roads, bridges, interchanges and accompanying capital improvements and developments throughout Sandusky County. The District was formed under the Ohio Revised Code Chapter 5544.02, by action of the Board of Sandusky County Commissioners on May 22, 2012. The resolution to create the District states the Board shall consist of seven members. The members shall be appointed as follows: five (5) members shall be appointed by the County Commissioners; one (1) nonvoting member appointed by the Speaker of the Ohio House of Representatives of the general assembly; and one (1) nonvoting member appointed by the President of the Senate of the general assembly.

The Sandusky County Auditor acts as fiscal agent for the District and the Sandusky County Treasurer acts as custodian of all funds. The District's management believes these financial statements present all activities for which the District is financial accountable.

## SANDUSKY COUNTY

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015 (CONTINUED)

#### NOTE 22 - SANDUSKY COUNTY TRANSPORTATION IMPROVEMENT DISTRICT - (Continued)

##### **B. Basis of Accounting**

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2- 03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2- 03(D) permit.

##### **C. Deposits and Investments**

The Sandusky County Treasurer is custodian for the District's deposits. The County's deposit and investment pool holds the District's assets, valued at the Treasurer's reported carrying amount.

##### **D. Fund Accounting**

The District uses fund accounting to segregate cash and investments that are restricted as to use. The District classifies all funds into the General Fund type, which accounts for and reports all financial resources not accounted for and reported in another fund.

##### **E. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the District must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

*Nonspendable* - The District classifies assets as nonspendable when legally or contractually required to maintain the amounts intact.

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

*Committed* - Trustees can commit amounts via formal action (resolution). The District must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

*Assigned* - Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as restricted or committed. Governmental funds other than the general fund report all fund balances as assigned unless they are restricted or committed. In the general fund, assigned amounts represent intended uses established by District Trustees or a District official delegated that authority by resolution, or by State Statute.

*Unassigned* - Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

**SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(CONTINUED)**

**NOTE 22 - SANDUSKY COUNTY TRANSPORTATION IMPROVEMENT DISTRICT - (Continued)**

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

**F. Property, Plant and Equipment**

The District records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**G. Loan**

On December 20, 2012, the Sandusky County Commissioners approved an interest free loan of \$199,945 to be used until the District's grant funding was available. This loan was repaid during 2013.

**H. Risk Management**

The District has not obtained insurance and is uninsured for general liability insurance coverage.

**I. Contingent Liabilities**

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

**SANDUSKY COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY/NET PENSION ASSET  
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST TWO YEARS

	<b>2014</b>	<b>2013</b>
<i>Traditional Plan:</i>		
County's proportion of the net pension liability	0.078355%	0.078355%
County's proportionate share of the net pension liability	\$ 8,414,481	\$ 8,224,426
County's covered-employee payroll	\$ 26,494,008	\$ 8,269,077
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	31.76%	99.46%
Plan fiduciary net position as a percentage of the total pension liability	86.45%	86.36%
 <i>Combined Plan:</i>		
County's proportion of the net pension asset	0.06758600%	0.06758600%
County's proportionate share of the net pension asset	\$ 23,170	\$ 6,315
County's covered-employee payroll	\$ 247,050	\$ 117,969
County's proportionate share of the net pension asset as a percentage of its covered-employee payroll	9.38%	5.35%
Plan fiduciary net position as a percentage of the total pension asset	114.83%	104.56%

Note: Information prior to 2013 was unavailable.

Amounts presented as of the County's measurement date which is the prior year.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**SANDUSKY COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TWO YEARS

	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability	0.002560920%	0.002719850%
County's proportionate share of the net pension liability	\$ 707,763	\$ 661,562
County's covered-employee payroll	\$ 378,450	\$ 262,015
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	187.02%	252.49%
Plan fiduciary net position as a percentage of the total pension liability	72.10%	74.70%

Note: Information prior to 2014 was unavailable.

Amounts presented as of the County's measurement date which is as of June 30 of the respective year.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION



**SANDUSKY COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF COUNTY CONTRIBUTIONS  
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST TEN YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<i>Traditional Plan:</i>				
Contractually required contribution	\$ 3,043,112	\$ 3,179,281	\$ 1,074,980	\$ 826,193
Contributions in relation to the contractually required contribution	<u>(3,043,112)</u>	<u>(3,179,281)</u>	<u>(1,074,980)</u>	<u>(826,193)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 25,359,267	\$ 26,494,008	\$ 8,269,077	\$ 8,261,930
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	13.00%	10.00%
<i>Combined Plan:</i>				
Contractually required contribution	\$ 28,968	\$ 29,646	\$ 15,336	\$ 8,855
Contributions in relation to the contractually required contribution	<u>(28,968)</u>	<u>(29,646)</u>	<u>(15,336)</u>	<u>(8,855)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 241,400	\$ 247,050	\$ 117,969	\$ 111,384
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	13.00%	7.95%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 765,698	\$ 672,429	\$ 1,402,305	\$ 1,342,995	\$ 1,555,837	\$ 2,339,664
<u>(765,698)</u>	<u>(672,429)</u>	<u>(1,402,305)</u>	<u>(1,342,995)</u>	<u>(1,555,837)</u>	<u>(2,339,664)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 7,656,980	\$ 7,538,442	\$ 17,248,524	\$ 19,185,643	\$ 18,632,778	\$ 25,431,130
10.00%	8.92%	8.13%	7.00%	8.35%	9.20%
\$ 8,577	\$ 11,644	\$ -	\$ -	\$ -	\$ -
<u>(8,577)</u>	<u>(11,644)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 107,887	\$ 120,165	\$ -	\$ -	\$ -	\$ -
7.95%	9.69%	8.13%	7.00%	8.35%	9.20%

**SANDUSKY COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF COUNTY CONTRIBUTIONS  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 52,821	\$ 52,983	\$ 34,062	\$ 36,983
Contributions in relation to the contractually required contribution	<u>(52,821)</u>	<u>(52,983)</u>	<u>(34,062)</u>	<u>(36,983)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 377,293	\$ 378,450	\$ 262,015	\$ 284,485
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.00%	13.00%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 40,183	\$ 44,056	\$ 37,859	\$ 45,334	\$ 40,652	\$ 45,919
<u>(40,183)</u>	<u>(44,056)</u>	<u>(37,859)</u>	<u>(45,334)</u>	<u>(40,652)</u>	<u>(45,919)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 309,100	\$ 338,892	\$ 291,223	\$ 348,723	\$ 312,708	\$ 353,223
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**SANDUSKY COUNTY**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2015

*OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)*

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for 2014 and 2015.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014 and 2015. See the notes to the basic financial statements for the methods and assumptions in this calculation.

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for 2014 and 2015.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014 and 2015. See the notes to the basic financial statements for the methods and assumptions in this calculation.

SANDUSKY COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2015

<b>FEDERAL GRANTOR Pass Through Grantor Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass Through Entity Identifying Number</b>	<b>Passed Through to Subrecipients</b>	<b>Total Federal Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<b>Passed Through Ohio Department of Job and Family Services</b>				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	G-1415-11-5422	\$ 142,674	\$ 336,831
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	G-1415-11-5575		123,084
Total CFDA # 10.561				<u>459,915</u>
<b>Passed Through Ohio Department of Education</b>				
Child Nutrition Cluster:				
National School Lunch Program				
NonCash Assistance (Food Distribution)	10.555	FY 2015		1,470
Cash Assistance	10.555	FY 2015		47,043
Total National School Lunch Program				<u>48,513</u>
School Breakfast Program	10.553	FY 2015		15,086
Total Child Nutrition Cluster				<u>63,599</u>
Total U.S. Department of Agriculture				<u>523,514</u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>				
<b>Passed Through Ohio Development Services Agency</b>				
Community Development Block Grants State's Program				
CDBG Revolving loans	14.228	n/a		123,033
CDBG Revolving Loan - Housing Program	14.228	n/a		23,928
Small Cities Program	14.228	B-F-13-1CO-1		4,760
Small Cities Program - CHIP	14.228	B-C-13-1CO-1		92,869
Small Cities Program	14.228	B-F-14-1CO-1		67,776
Total CFDA #14.228				<u>312,366</u>
HOME- Revolving Loan - Housing Program	14.239	n/a		35,346
HOME Investment Partnership Program	14.239	B-C-13-1CO-2		176,651
Total CFDA #14.239				<u>211,997</u>
Total U.S. Department of Housing and Urban Development				<u>524,363</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>				
<b>Passed Through the Ohio Department of Youth Services</b>				
Juvenile Accountability Block Grants	16.523	2013-JB-014-B188		37,108
<b>Passed Through the Ohio Attorney General</b>				
Crime Victim Assistance	16.575	2015-VOCA-10201159		21,273
Crime Victim Assistance	16.575	2016-VOCA-19814897		5,258
Total CFDA # 16.575				<u>26,531</u>
Crime Victim Assistance/Discretionary Grant	16.582	2015-SVAA-19814939		3,026
Crime Victim Assistance/Discretionary Grant	16.582	2016-SVAA-19814939		3,034
Total CFDA #16.582				<u>6,060</u>
<b>Passed Through the Ohio Office of Criminal Justice Services</b>				
Second Chance Act Reentry Initiative	16.812	2011-CZ-BX-0007		324,870
Second Chance Act Reentry Initiative	16.812	2012-CZ-BX-0008		21,911
Total CFDA # 16.812				<u>346,781</u>
Equitable Sharing Program	16.922	15-5042-0-2-752		7,886
Total U.S. Department of Justice				<u>424,366</u>
<b>U.S. DEPARTMENT OF LABOR</b>				
<b>Passed Through Montgomery County Workforce Investment Act (WIA) Area 7</b>				
WIA Cluster:				
WIA-Adult Programs	17.258	2015-7172-1		112,643
WIA- Dislocated Worker Formula Grants	17.278	2015-7172-1		188,144
WIA-Youth Activities	17.259	2015-7172-1	95,979	101,280
Total WIA Cluster				<u>402,067</u>
WIA-On the Job Training Outreach NEG-27 DW Training	17.277	2015-7172-1		15,330
<b>Passed Through Ohio Department of Job and Family Services</b>				
Employment Services Cluster				
Local Veterans' Employment Representative Program	17.804	n/a		38,250
Total U.S. Department of Labor				<u>455,647</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>				
<b>Passed Through Ohio Department of Transportation</b>				
Highway Planning and Construction	20.205	E130569		36,551
Highway Planning and Construction	20.205	E140250		42,386
Highway Planning and Construction	20.205	E140176		272,624
Total CFDA # 20.205				<u>351,561</u>

(continued)

SANDUSKY COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2015

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>Passed Through Ohio Department of Public Safety</b>				
State and Community Highway Safety	20.600	STEP-2015-72-00-00-00552-00		9,332
State and Community Highway Safety	20.600	STEP-2016-72-00-00-00517-00		2,710
Total CFDA # 20.600				<u>12,042</u>
National Priority Safety Program	20.616	IDEP-2015-72-00-00-00430-00		15,315
National Priority Safety Program	20.616	IDEP-2016-72-00-00-00356-00		2,716
Total CFDA #20.616				<u>18,031</u>
Total U.S. Department of Transportation				<u>381,634</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<b>Passed Through Ohio Department of Education</b>				
Special Education Cluster:				
Special Education Grants to States	84.027	IDEA-B-FY 2015		29,444
Special Education Preschool Grants	84.173	ECSE-FY 2015		6,103
Total Special Education Cluster				<u>35,547</u>
<b>Passed Through Ohio Department of Health</b>				
Special Education Grants for Infants and Families	84.181	07210021HG0615/716		65,279
Total U.S. Department of Education				<u>100,826</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
<b>Passed Through Ohio Department of Job and Family Services</b>				
Temporary Assistance for Needy Families	93.558	G-1415-11-5422	57,244	1,445,561
Child Care and Development Block Grant	93.575	G-1415-11-5422		54,703
Child Support Enforcement	93.563	G-1415-11-5422		697,433
Foster Care Title IV-E	93.658	G-1415-11-5422		758,359
Adoption Assistance	93.659	G-1415-11-5422		238,393
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1617-11-5575		51,091
Promoting Safe and Stable Families	93.556	G-1617-11-5575		9,574
Chafee Foster Care Independence Program	93.674	G-1213-11-0109		9,228
Social Services Block Grant	93.667	G-1415-11-5422		461,489
Social Services Block Grant	93.667	G-1617-11-5575		161,490
<b>Passed Through Ohio Department of Developmental Disabilities</b>				
Social Services Block Grant	93.667	FY 2015		39,518
Total CFDA # 93.667				<u>662,497</u>
<b>Passed Through Ohio Department of Job and Family Services</b>				
Medical Assistance Program	93.778	G-1415-11-5422		755,776
<b>Passed Through Ohio Department of Developmental Disabilities</b>				
Medical Assistance Program	93.778	FY 2015		305,938
Total CFDA #93.778				<u>1,061,714</u>
<b>Passed Through Ohio Department of Alcohol and Drug Addiction Services</b>				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	74-3007-TASC-T-16-9181		161,695
Total U.S. Department of Health and Human Services				<u>5,150,248</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>				
<b>Passed Through Ohio Department of Emergency Management</b>				
Hazard Mitigation Plan Update	97.039	FEMA-DR-4098.1-P-OH		4,670
Emergency Management Performance Grants	97.042	EMW-2014-EP-0064		59,644
Emergency Management Performance Grants	97.042	EMW-2014-EP-0064		7,752
Total CFDA # 97.042				<u>67,396</u>
Total U.S. Department of Homeland Security				<u>72,066</u>
<b>Total Expenditures of Federal Awards</b>				<u><b>\$ 7,632,664</b></u>

The accompanying notes are an integral part of this schedule.

## SANDUSKY COUNTY

### NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS 2 CFR 200.510(b)(6) FOR THE YEAR ENDED DECEMBER 31, 2015

#### **NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Sandusky County (the County's) under programs of the federal government for the year ended December 31, 2015. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County.

#### **NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The County has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

#### **NOTE C - SUBRECIPIENTS**

The County passes certain federal awards received from the Ohio Department of Job and Family Services and Montgomery County Workforce Investment Act Area 7 to other governments or not-for-profit agencies (subrecipients). As Note B describes, the County reports expenditures of Federal awards to subrecipients when paid in cash.

As a subrecipient, the County has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

#### **NOTE D – CHILD NUTRITION CLUSTER**

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

#### **NOTE E– FOOD DONATION PROGRAM**

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

#### **NOTE F - COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS WITHOUT CONTINUING COMPLIANCE REQUIREMENTS**

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



These loans are collateralized by mortgages on the property.

**NOTE G – DOWNPAYMENT OR REHABILITATION ASSISTANCE (HOME) LOAN PROGRAM**

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

These loans are collateralized by mortgages on the property. The County made no new loans under this program in 2015. The administrative expenditures under this program in 2015 were \$170 and the cash balance on hand in the revolving loan fund as of December 31, 2015 was \$35,176.

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

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

The County had no new loans under this program in 2015. The administrative expenditures under this program in 2015 were \$34 and the cash balance on hand in the revolving loan fund as of December 31, 2015 was \$23,894.

**NOTE I - MATCHING REQUIREMENTS**

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

**NOTE J - TRANSFERS BETWEEN FEDERAL PROGRAMS**

During fiscal year 2015 the County made allowable transfers of \$354,758 from the Temporary Assistance for Needy Families (TANF) (93.558) program to the Social Services Block Grant (SSBG) (93.667) program. The Schedule shows the County spent approximately \$1,443,561 on the TANF program. The amount reported for the TANF program on the Schedule excludes the amount transferred to the SSBG program. The amount transferred to the SSBG program is included as SSBG expenditures when disbursed. The following table shows the gross amount drawn for the TANF program during fiscal year 2015 and the amount transferred to the Social Services Block Grant program.

Temporary Assistance for Needy Families	\$1,800,319
Transfer to Social Services Block Grant	(354,758)
<b>Total Temporary Assistance for Needy Families</b>	<b><u>\$1,445,561</u></b>

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# Dave Yost • Auditor of State

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

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

To the County Commissioners:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Sandusky County, Ohio (the County) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated October 18, 2016, wherein we noted the discretely presented component unit followed the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### ***Internal Control Over Financial Reporting***

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the County's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2015-001 and 2015-002 to be material weaknesses.

***Compliance and Other Matters***

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

***Entity's Response to Findings***

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

***Purpose of this Report***

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



**Dave Yost**  
Auditor of State

Columbus, Ohio

October 18, 2016



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

To the County Commissioners:

### ***Report on Compliance for Each Major Federal Program***

We have audited Sandusky County, Ohio's (the County) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of Sandusky County's major federal programs for the year ended December 31, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the County's major federal programs.

### ***Management's Responsibility***

The County's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to opine on the County's compliance for each of the County's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Opinion on Each Major Federal Program***

In our opinion, Sandusky County complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2015.

**Report on Internal Control Over Compliance**

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



**Dave Yost**  
Auditor of State

Columbus, Ohio

October 18, 2016

**SANDUSKY COUNTY**  
**SCHEDULE OF FINDINGS**  
**2 CFR § 200.515**  
**DECEMBER 31, 2015**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Adverse – Discretely presented component unit Unmodified – All other opinion units
<b>(d)(1)(ii)</b>	<b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material weaknesses in internal control reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Supplemental Nutrition Assistance Program – CFDA #10.561, Temporary Assistance for Needy Families – CDA #93.558, Social Services Block Grant – CFDA #93.667, Medical Assistance Program – CFDA #93.778
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 750,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee under 2 CFR §200.520?</b>	No

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

**FINDING NUMBER 2015-001**

**Material Weakness**

**Capital Assets**

The County should maintain a detailed capital asset listing and adopt a capital asset policy. We were able to obtain sufficient audit evidence of capital assets from the information gathered by the IPA completing the County's GAAP conversion, but the County does not maintain their own detailed capital asset list along with the use of coordinating asset tags or other specific identifying means. Capital assets account for forty-eight percent of total assets on the accompanying financial statements. A capital asset ledger should be maintained and regularly updated. At minimum, the records should contain the following data a) department name and location; b) date of purchase; c) description; d) model/serial vehicle identification number, if applicable; e) asset tag number; f) quantity; g) purchase cost; h) annual depreciation amount; i) accumulated depreciation amount; i) book value; j) fund ownership; k) useful life of assets; and l) disposition date m) check number and fund/account purchased.

The County also 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 are a result of inadequate policies, procedures, and internal controls over capital assets. These weaknesses do not allow for an accurate tracking of capital assets to be in place and could result in the misappropriation of capital assets that 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 assets policy addressing the above mentioned areas and maintain an updated listing of capital assets.

**Officials' Response:**

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

**FINDING NUMBER 2015-002**

**Material Weakness**

**Financial Reporting**

The County's management is responsible for the fair presentation of the financial statements. In addition, budgeted expenditures reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual should agree to the budgeted expenditures approved by the County Commissioners, and discretely presented component units should be presented on the same accounting basis used by the County.

- Budgeted expenditures for the County Board of Developmental Disabilities fund were understated by \$2,155,393 compared to the amounts approved by the Commissioners.
- We also noted the financial information for Sandusky County Regional Airport Authority; the County's discretely presented component unit is presented using the cash basis of accounting, which is an accounting basis other than accounting principles general accepted in the United



States of America. The effects on the financial statements of the variances between the cash basis of accounting and accounting principles generally accepted in the United States of America, although not reasonable determinable are presumed to be material. In addition, the Airport only obtains a bi-annual audit rather than obtaining one annually.

These errors were a result of inadequate policies and procedures in reviewing and preparing the financial statements. The accompanying financial statements were adjusted to correct the budgetary error. To ensure the County's financial statements and notes to the statements are complete and accurate, the County should adopt policies and procedures, including a final review of the annual report by the Auditor and audit committee to identify and correct errors, omissions, and misclassifications. In addition, we recommend the County present financial information for all component units following accounting principles generally accepted in the United States of America, and ensure their component units obtain annual audits.

**Officials' Response:**

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

<b>3. FINDINGS FOR FEDERAL AWARDS</b>
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None

**SANDUSKY COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
2 CFR 200.511(b)  
DECEMBER 31, 2015**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2014-001	Material weakness in financial reporting due to errors in financial statements and failure to report component units on GAAP Basis.	No	Not Corrected. Repeated as Finding # 2015-002 in this report. County department provided incomplete information. County will continue to work with departments to obtain complete information. We believe GAAP filing for component unit is an expense Sandusky County Commissioners are yet to commit.
2014-002	Material weakness for failure to track capital assets.	No	Not Corrected. Repeated as Finding #2015-001 in this report. No policies and procedures are in place but the County is working in policies and procedures to be implemented as soon as possible.
2014-003	OMB Circular A133 §____.300 due to errors in the Federal Awards Expenditures.	Partially Corrected	Repeated in management letter. Each department provides federal funding information which included incomplete/ incorrect information. The County continues to improve in the review of information received from departments.



# Dave Yost • Auditor of State

## 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  
NOVEMBER 10, 2016