



Mary Taylor, CPA
Auditor of State

VILLAGE OF OTTAWA
PUTNAM COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Ottawa
Putnam County
136 North Oak Street
Ottawa, Ohio 45875-1810

To the Village Council:

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Ottawa, Putnam County, Ohio, as of December 31, 2008, and the respective changes in cash financial position and the respective budgetary comparison for the General, Income Tax, and Budget Stabilization Funds thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 3, 2009, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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



Mary Taylor, CPA
Auditor of State

September 3, 2009

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

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

This discussion and analysis of the Village of Ottawa's (the Village's) financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2008, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2008 are as follows:

- Net assets of governmental activities increased \$146,306, or 2.3 percent. Cash and cash equivalents in Other Governmental Funds realized an increase of 25.6 percent, which can be attributed mostly to receipts into the Hazard Mitigation Grant Program (HMGP) Funds. There was deficit spending in the General Fund but management feels this is acceptable based upon the healthy fund balance. The Income Tax Fund had an increase in fund balance due to reimbursement for some of the 2007 flood related expenditures through a Public Assistance Grant from the Federal Emergency Management Agency (FEMA). Cash out of the Budget Stabilization Fund was used for flood mitigation expenses. Construction costs for the waterline to service the Village of Bluffton, Ohio are responsible for the decrease in fund balance in the Bluffton Waterline Fund.
- The Village's general receipts are primarily sale of notes and income taxes. These receipts represent respectively 22.3 and 19.0 percent of the total cash received for governmental activities during the year. The 281.1% increase in sale of notes in 2008 compared to 2007 is mainly due to an Ohio Environmental Protection Agency – Division of Environmental and Financial Assistance (OEPA – DEFA) low interest loan to construct a waterline to service the Village of Bluffton, Ohio. Income tax receipts for 2008 increased 3.0 percent compared to 2007 indicating a boost in earnings within the Village.
- The Water Operating Fund and the Sewer Operating Fund, the Village's major business-type activities, realized increases in net assets of 2.2 and 13.6 percent respectively. These increases are mainly due to reduction of principal payments when compared to 2007. In 2007 a one-time, lump sum principal payment was made on new loans. The payment was made from proceeds of a connection fee collected in 2006 from benefiting users for water and sewer line extensions to a recently annexed area. The Village analyzes its water and sewer rates on a regular basis and makes adjustments accordingly.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

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

The notes to the financial statements are an integral part of the village-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Government as a Whole

This annual report includes all activities for which the Village is fiscally responsible. These activities, defined as the Village's reporting entity, are operated within separate legal entities that make up the primary government. The primary government consists of the Village.

The statement of net assets and the statement of activities reflect how the Village did financially during 2008, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Village at year-end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other non-financial factors as well such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, we divide the Village into two types of activities:

Governmental activities. Most of the Village's basic services are reported here, including police, fire, streets and parks. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

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

Business-type activities. The Village has two business-type activities, the provision of water and sewer. Business-type activities are financed by a fee charged to the customers receiving the service.

Reporting the Village's Most Significant Funds

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are split into two categories: governmental and proprietary.

Governmental Funds - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General Fund, Income Tax Fund, and Budget Stabilization Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Proprietary Funds – When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village has three enterprise funds, the Water Operating Fund, Sewer Operating Fund, and Enterprise Debt Service Reserve Fund. When the services are provided to other departments of the Village, the service is reported as an internal service fund. The Village has no internal service funds.

The Village as a Whole

Table 1 provides a summary of the Village's net assets for 2008 compared to 2007 on a cash basis:

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Assets						
Cash and Cash Equivalents	\$6,386,018	\$6,239,712	\$3,675,644	\$3,456,354	\$10,061,662	\$9,696,066
Net Assets						
Restricted for:						
Capital Outlay	\$682,744	\$498,735			\$682,744	\$498,735
Other Purposes	4,168,507	3,945,540			4,168,507	3,945,540
Unrestricted	1,534,767	1,795,437	3,675,644	3,456,354	5,210,411	5,251,791
Total Net Assets	\$6,386,018	\$6,239,712	\$3,675,644	\$3,456,354	\$10,061,662	\$9,696,066

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

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

As mentioned previously, net assets of governmental activities increased \$146,306 or 2.3 percent during 2008. The primary reasons contributing to the increases in cash balances are as follows:

- Cash in Other Governmental Funds increased \$280,659, which can be attributed mostly to unexpended receipts in the Hazard Mitigation Grant Program (HMGP) Funds.
- There was deficit spending in the amount of \$260,670 in the General Fund but management feels this is acceptable based upon the healthy fund balance. The majority of General Fund expenditures are related to security of persons and property.
- The Income Tax Fund had an increase in fund balance of \$194,042 due to reimbursement for some of the 2007 flood related expenditures through a Public Assistance Grant from the Federal Emergency Management Agency (FEMA).
- Cash in the amount of \$62,001 was expended out of the Budget Stabilization Fund for flood mitigation efforts.
- A decrease of \$5,724 in net assets in the Bluffton Waterline Fund is due to construction costs for the waterline to service the Village of Bluffton, Ohio.

Table 2 reflects the changes in net assets in 2008 compared to 2007 on a cash basis:

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

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

(Table 2)
Changes in Net Assets

	Governmental Activities 2008	Governmental Activities 2007	Business Type Activities 2008	Business Type Activities 2007	Total 2008	Total 2007
Receipts:						
Program Receipts:						
Charges for Services and Sales	\$123,287	\$148,576	\$2,190,963	\$2,164,308	\$2,314,250	\$2,312,884
Operating Grants and Contributions	289,262	237,373	9,159	8,195	298,421	245,568
Capital Grants and Contributions	1,924,625	902,634			1,924,625	902,634
Total Program Receipts	2,337,174	1,288,583	2,200,122	2,172,503	4,537,296	3,461,086
General Receipts:						
Property and Other Local Taxes	359,618	252,453			359,618	252,453
Municipal Income Taxes	1,236,898	1,201,436			1,236,898	1,201,436
Grants and Entitlements Not Restricted to Specific Programs	190,847	189,405			190,847	189,405
Notes Issued	1,453,765	381,445			1,453,765	381,445
Sale of Capital Assets	17,335	11,042			17,335	11,042
Interest	404,409	540,477			404,409	540,477
Proceeds from Insurance Settlement	30,245	59,111			30,245	59,111
Refund of Prior Year Expenditure	401,347	39,164			401,347	39,164
Miscellaneous	76,474	97,058	129,564	32,243	206,038	129,301
Total General Receipts	4,170,938	2,771,591	129,564	32,243	4,300,502	2,803,834
Total Receipts	6,508,112	4,060,174	2,329,686	2,204,746	8,837,798	6,264,920
Disbursements:						
General Government	578,092	518,247			578,092	518,247
Security of Persons and Property:	883,796	615,861			883,796	615,861
Leisure Time Activities	251,342	217,259			251,342	217,259
Community Environment	85,282	28,310			85,282	28,310
Basic Utilities	294,877	10,746			294,877	10,746
Transportation	235,353	194,198			235,353	194,198
Capital Outlay	3,363,290	1,970,840			3,363,290	1,970,840
Principal Retirement	472,858	592,552			472,858	592,552
Interest and Fiscal Charges	196,916	213,145			196,916	213,145
Water Operating			1,101,575	1,131,891	1,101,575	1,131,891
Sewer Operating			1,008,821	1,453,062	1,008,821	1,453,062
Total Disbursements	6,361,806	4,361,158	2,110,396	2,584,953	8,472,202	6,946,111
Excess (Deficiency) Before Transfers	146,306	(300,984)	219,290	(380,207)	365,596	(681,191)
Transfers		(141,760)		141,760		
Increase (Decrease) in Net Assets	146,306	(442,744)	219,290	(238,447)	365,596	(681,191)
Net Assets, January 1	6,239,712	6,682,456	3,456,354	3,694,801	9,696,066	10,377,257
Net Assets, December 31	\$6,386,018	\$6,239,712	\$3,675,644	\$3,456,354	\$10,061,662	\$9,696,066

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

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

Program receipts represent 51.3 percent of total receipts and are primarily comprised of restricted water and sewer user fees. Grants restricted for specific projects were a large portion of program receipts. Restricted intergovernmental receipts such as motor vehicle license and gas tax money, as well as swimming pool admissions, recreational entry fees, and license and permit fees are also included in program receipts.

In 2008, general receipts represent 48.7 percent of the Village's total receipts, and of this amount, 37.1 percent are local taxes. Over 33 percent are related to sale of notes for expansion of the water system and purchase of equipment; 9.4 percent are interest earnings, which can fluctuate annually due to the rate of return; and 4.4 percent are state and federal grants and entitlements.

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other government activities. These include the costs of council, mayor, municipal director, solicitor, fiscal officer, and community environment departments, as well as internal services such as payroll and purchasing.

Security of Persons and Property are the costs of police and fire protection; Leisure Time Activities are the costs of maintaining the pool and parks; the economic development department promotes the Village to industry and commerce as well as working with other governments in the area to attract new business; Basic Utility Services are costs associated with the water and sewer systems in special revenue funds; and Transportation is the cost of maintaining the roads.

Governmental Activities

If you look at the Statement of Activities, you will see the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for capital improvements, which account for 52.9 percent of all governmental disbursements. Security of persons and property, debt service, and general government also represent significant costs, 13.9 percent, 10.5 percent and 9.1 percent, respectively. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service, which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts, which are presented at the bottom of the Statement of Activities. A comparison between the total cost of services and the net cost is presented in Table 3.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

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

(Table 3)

	Governmental Activities			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2008	2008	2007	2007
General Government	\$578,092	\$476,174	\$518,247	\$421,048
Security of Persons and Property	883,796	748,670	615,861	497,122
Leisure Time Activities	251,342	250,108	217,259	180,482
Economic Development	85,282	(1,349,882)	28,310	(459,106)
Basic Utilities	294,877	253,733	10,746	(278,308)
Transportation	235,353	(387,235)	194,198	(65,200)
Capital Outlay	3,363,290	3,363,290	1,970,840	1,970,840
Principal Retirement	472,858	472,858	592,552	592,552
Interest and Fiscal Charges	196,916	196,916	213,145	213,145
Total Expenses	\$6,361,806	\$4,024,632	\$4,361,158	\$3,072,575

The dependence upon property and income tax receipts is apparent as 63.3 percent of governmental activities are supported through these general receipts.

Business-type Activities

The Village has two major business type activities, the provision of water and sewer, which are accounted for in the Water Operating Fund and the Sewer Operating Fund. Charges for services completely support the business type activity disbursements. The Village reviews its water and sewer rates annually and makes necessary adjustments to align the revenues with anticipated expenditures. In addition, the Village sells water and sewer to neighboring communities to help stabilize rates.

The Government's Funds

As you look at the Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances you will see total governmental funds had receipts and other financing sources of \$6,532,659 and disbursements and other financing uses of \$6,386,353. The greatest change within governmental funds occurred within the Other Governmental Funds. The fund balance of the Other Governmental Funds increased \$280,659 due to unexpended receipts into the Hazard Mitigation Grant Program (HMGP) Funds.

There was deficit spending in the amount of \$260,670 in the General Fund but management feels this is acceptable based upon the healthy fund balance.

The Income Tax Fund had an increase in fund balance of \$194,042 due to reimbursement for some of the flood related expenditures through a Public Assistance Grant from the Federal Emergency Management Agency (FEMA).

Cash in the amount of \$62,001 was expended out of the Budget Stabilization Fund for flood mitigation efforts.

A decrease of \$5,724 in fund balance in the Bluffton Waterline Fund is due to construction costs for the waterline to service the Village of Bluffton, Ohio.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

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

General Fund Budgeting Highlights

The Village's budget is prepared according to Ohio law and the Village Charter and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances.

Final disbursements and other financing uses in the General Fund were budgeted at \$2,604,714 while actual disbursements and other financing uses were \$1,268,933. The Village employs a conservative approach to budgeting by estimating receipts low and appropriations high. In 2008, the Village budgeted for certain capital improvements in the General Fund, but decided not to pursue those improvements at this time in keeping with its conservative approach.

Capital Assets and Debt Administration

Capital Assets

The Village does not currently keep track of its capital assets and infrastructure.

Debt

At December 31, 2008, the Village's outstanding debt included \$1,790,000 in general obligation bonds issued for construction of the Putnam County Educational Service Center/Community Learning Center, \$810,000 in general obligation bonds issued for various purposes, \$546,072 in Ohio Public Works Commission (OPWC) loans for improvements to water and sewer utility services, and \$7,605,911 in Ohio Water Development Authority (OWDA) loans for improvements to water and sewer system buildings and structures. For further information regarding the Village's debt, refer to Note 10 to the basic financial statements.

Current Issues

The challenge for all governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes. The Village is constantly looking at ways to cut costs without cutting services. Employees are cross-trained in several areas and certain services have been contracted out resulting in cost savings. The Village completed the extension of a waterline to service the Village of Bluffton, Ohio. This will help stabilize water rates for all users on the system.

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Barbara J. Brickner, Fiscal Officer, Village of Ottawa, 136 North Oak Street, Ottawa, Ohio 45875-1810.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

*Statement of Net Assets - Cash Basis
December 31, 2008*

	Governmental Activities	Business - Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$6,386,018	\$3,675,644	\$10,061,662
Net Assets			
Restricted for:			
Capital Projects	\$682,744		\$682,744
Other Purposes	4,168,507		4,168,507
Unrestricted	1,534,767	\$3,675,644	5,210,411
<i>Total Net Assets</i>	\$6,386,018	\$3,675,644	\$10,061,662

See accompanying notes to the financial statements

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

*Statement of Activities - Cash Basis
For the Year Ended December 31, 2008*

	Program Cash Receipts		
Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities			
General Government	\$578,092	\$101,912	\$6
Security of Persons and Property	883,796	1,900	133,226
Leisure Time Activities	251,342	1,234	
Community Environment	85,282	8,747	\$4,082
Basic Utility Services	294,877	377	14,278
Transportation	235,353	9,117	270,902
Capital Outlay	3,363,290		342,569
Debt Service:			
Principal	472,858		
Interest	196,916		
<i>Total Governmental Activities</i>	6,361,806	123,287	289,262
Business Type Activities			
Water	1,101,575	1,113,844	
Sewer	1,008,821	1,077,119	9,159
<i>Total Business Type Activities</i>	2,110,396	2,190,963	9,159
Total	\$8,472,202	\$2,314,250	\$298,421

General Receipts

Property Taxes Levied for:

- General Purposes
- Fire Services
- Municipal Income Taxes
- Other Local Taxes
- Grants and Entitlements not Restricted to Specific Programs
- Notes Issued
- Sale of Capital Assets
- Interest
- Proceeds from Insurance Settlement
- Refund of Prior Year Expenditure
- Miscellaneous

Total General Receipts

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the financial statements

Net (Disbursements) Receipts and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$476,174)		(\$476,174)
(748,670)		(748,670)
(250,108)		(250,108)
1,349,882		1,349,882
(253,733)		(253,733)
387,235		387,235
(3,363,290)		(3,363,290)
(472,858)		(472,858)
(196,916)		(196,916)
(4,024,632)		(4,024,632)
	\$12,269	12,269
	77,457	77,457
	89,726	89,726
(4,024,632)	89,726	(3,934,906)
250,139		250,139
84,479		84,479
1,236,898		1,236,898
25,000		25,000
190,847		190,847
1,453,765		1,453,765
17,335		17,335
404,409		404,409
30,245		30,245
401,347		401,347
76,474	129,564	206,038
4,170,938	129,564	4,300,502
146,306	219,290	365,596
6,239,712	3,456,354	9,696,066
\$6,386,018	\$3,675,644	\$10,061,662

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

*Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2008*

	General	Income Tax Fund	Budget Stabilization Fund	Bluffton Waterline Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	<u>\$1,534,767</u>	<u>\$2,318,942</u>	<u>\$1,033,008</u>	<u>\$124,263</u>	<u>\$1,375,038</u>	<u>\$6,386,018</u>
Fund Balances						
Reserved:						
Reserved for Encumbrances	\$62,795	\$394,889	\$6,000	\$58,575	\$62,772	\$585,031
Unreserved:						
Undesignated, Reported in:						
General Fund	1,471,972					1,471,972
Special Revenue Funds		1,924,053	1,027,008		774,652	3,725,713
Capital Projects Funds				65,688	537,614	603,302
Total Fund Balances	<u>\$1,534,767</u>	<u>\$2,318,942</u>	<u>\$1,033,008</u>	<u>\$124,263</u>	<u>\$1,375,038</u>	<u>\$6,386,018</u>

See accompanying notes to the financial statements

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2008*

	General	Income Tax Fund	Budget Stabilization Fund	Bluffton Waterline Fund	Other Governmental Funds	Total Governmental Funds
Receipts						
Municipal Income Taxes		\$1,236,898				\$1,236,898
Property and Other Local Taxes	\$250,139				\$109,479	359,618
Special Assessments		6,465				6,465
Charges for Services	3,455				3,030	6,485
Fines, Licenses and Permits	63,449				2,880	66,329
Intergovernmental	197,653	10,000		\$23,923	2,138,462	2,370,038
Rental Revenue		44,009				44,009
Interest	404,409			2,566	32,129	439,104
Miscellaneous	26,363	49,863			248	76,474
<i>Total Receipts</i>	<u>945,468</u>	<u>1,347,235</u>		<u>26,489</u>	<u>2,286,228</u>	<u>4,605,420</u>
Disbursements						
Current:						
General Government	274,226	303,866				578,092
Security of Persons and Property	627,622				256,174	883,796
Leisure Time Activities	251,342					251,342
Community Environment	23,281		\$62,001			85,282
Basic Utility Services					294,877	294,877
Transportation	139				235,214	235,353
Capital Outlay	4,981	803,297		1,420,978	1,134,034	3,363,290
Debt Service:						
Principal Retirement		402,858			70,000	472,858
Interest and Fiscal Charges		157,099			39,817	196,916
<i>Total Disbursements</i>	<u>1,181,591</u>	<u>1,667,120</u>	<u>62,001</u>	<u>1,420,978</u>	<u>2,030,116</u>	<u>6,361,806</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(236,123)</u>	<u>(319,885)</u>	<u>(62,001)</u>	<u>(1,394,489)</u>	<u>256,112</u>	<u>(1,756,386)</u>
Other Financing Sources (Uses)						
Notes Issued		65,000		1,388,765		1,453,765
Proceeds from Insurance Settlement		30,245				30,245
Refund of Prior Year Expenditures		401,347				401,347
Sale of Capital Assets		17,335				17,335
Transfers In					24,547	24,547
Transfers Out	(24,547)					(24,547)
<i>Total Other Financing Sources (Uses)</i>	<u>(24,547)</u>	<u>513,927</u>		<u>1,388,765</u>	<u>24,547</u>	<u>1,902,692</u>
<i>Net Change in Fund Balances</i>	<u>(260,670)</u>	<u>194,042</u>	<u>(62,001)</u>	<u>(5,724)</u>	<u>280,659</u>	<u>146,306</u>
Fund Balances Beginning of Year	<u>1,795,437</u>	<u>2,124,900</u>	<u>1,095,009</u>	<u>129,987</u>	<u>1,094,379</u>	<u>6,239,712</u>
<i>Fund Balances End of Year</i>	<u>\$1,534,767</u>	<u>\$2,318,942</u>	<u>\$1,033,008</u>	<u>\$124,263</u>	<u>\$1,375,038</u>	<u>\$6,386,018</u>

See accompanying notes to the financial statements

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2008*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$230,539	\$230,539	\$250,139	\$19,600
Charges for Services	39,901	39,901	3,455	(36,446)
Fines, Licenses and Permits	34,220	34,220	63,449	29,229
Intergovernmental	185,176	198,113	197,653	(460)
Interest	300,250	300,250	404,409	104,159
Miscellaneous	8,400	8,400	26,363	17,963
<i>Total Receipts</i>	<u>798,486</u>	<u>811,423</u>	<u>945,468</u>	<u>134,045</u>
Disbursements				
Current:				
General Government	382,159	383,407	282,400	101,007
Security of Persons and Property	791,715	804,651	631,949	172,702
Leisure Time Activities	333,230	384,610	252,207	132,403
Community Environment	105,703	107,773	26,439	81,334
Transportation	144	144	139	5
Capital Outlay	978,727	899,482	51,252	848,230
<i>Total Disbursements</i>	<u>2,591,678</u>	<u>2,580,067</u>	<u>1,244,386</u>	<u>1,335,681</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(1,793,192)</u>	<u>(1,768,644)</u>	<u>(298,918)</u>	<u>1,469,726</u>
Other Financing Uses				
Transfers Out		(24,547)	(24,547)	
Other Financing Uses	(100)	(100)		100
<i>Total Other Financing Uses</i>	<u>(100)</u>	<u>(24,647)</u>	<u>(24,547)</u>	<u>100</u>
<i>Net Change in Fund Balance</i>	<u>(1,793,292)</u>	<u>(1,793,291)</u>	<u>(323,465)</u>	<u>1,469,826</u>
<i>Fund Balance Beginning of Year</i>	<u>1,775,911</u>	<u>1,775,911</u>	<u>1,775,911</u>	
Prior Year Encumbrances Appropriated	19,526	19,526	19,526	
<i>Fund Balance End of Year</i>	<u>\$2,145</u>	<u>\$2,146</u>	<u>\$1,471,972</u>	<u>\$1,469,826</u>

See accompanying notes to the financial statements

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Income Tax Fund
For the Year Ended December 31, 2008*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Municipal Income Taxes	\$1,000,000	\$1,000,000	\$1,236,898	\$236,898
Special Assessments	6,470	6,470	6,465	(5)
Intergovernmental			10,000	10,000
Rental Revenue			44,009	44,009
Miscellaneous	92,589	92,589	49,863	(42,726)
<i>Total Receipts</i>	<u>1,099,059</u>	<u>1,099,059</u>	<u>1,347,235</u>	<u>248,176</u>
Disbursements				
Current:				
General Government	428,205	428,205	304,514	123,691
Capital Outlay	1,997,580	2,007,580	1,098,409	909,171
Debt Service:				
Principal Retirement	536,155	536,155	465,516	70,639
Interest and Fiscal Charges	232,748	232,748	193,570	39,178
<i>Total Disbursements</i>	<u>3,194,688</u>	<u>3,204,688</u>	<u>2,062,009</u>	<u>1,142,679</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(2,095,629)</u>	<u>(2,105,629)</u>	<u>(714,774)</u>	<u>1,390,855</u>
Other Financing Sources				
Notes Issued			65,000	65,000
Proceeds from Insurance Settlement			30,245	30,245
Refund of Prior Year Expenditures			401,347	401,347
Sale of Capital Assets			17,335	17,335
<i>Total Other Financing Sources</i>			<u>513,927</u>	<u>513,927</u>
<i>Net Change in Fund Balance</i>	(2,095,629)	(2,105,629)	(200,847)	1,904,782
<i>Fund Balance Beginning of Year</i>	1,850,379	1,850,379	1,850,379	
Prior Year Encumbrances Appropriated	274,521	274,521	274,521	
<i>Fund Balance End of Year</i>	<u>\$29,271</u>	<u>\$19,271</u>	<u>\$1,924,053</u>	<u>\$1,904,782</u>

See accompanying notes to the financial statements

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Budget Stabilization Fund
For the Year Ended December 31, 2008*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Disbursements				
Current:				
Community Environment	<u>\$250,000</u>	<u>\$250,000</u>	<u>\$68,001</u>	<u>\$181,999</u>
Other Financing Uses				
Transfers Out	<u>(198,260)</u>	<u>(198,260)</u>	<u> </u>	<u>198,260</u>
<i>Net Change in Fund Balance</i>	(448,260)	(448,260)	(68,001)	380,259
<i>Fund Balance Beginning of Year</i>	<u>1,095,009</u>	<u>1,095,009</u>	<u>1,095,009</u>	<u> </u>
<i>Fund Balance End of Year</i>	<u><u>\$646,749</u></u>	<u><u>\$646,749</u></u>	<u><u>\$1,027,008</u></u>	<u><u>\$380,259</u></u>

See accompanying notes to the financial statements

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

*Statement of Fund Net Assets - Cash Basis
Proprietary Funds
December 31, 2008*

	Business-Type Activities			Total Enterprise Funds
	Water Operating Fund	Sewer Operating Fund	Other Enterprise Fund	
Assets				
Equity in Pooled Cash and Cash Equivalents	<u>\$1,862,157</u>	<u>\$1,498,590</u>	<u>\$314,897</u>	<u>\$3,675,644</u>
Net Assets				
Unrestricted	<u>\$1,862,157</u>	<u>\$1,498,590</u>	<u>\$314,897</u>	<u>\$3,675,644</u>

See accompanying notes to the financial statements

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

*Statement of Cash Receipts,
Disbursements and Changes in Fund Net Assets - Cash Basis
Proprietary Funds
For the Year Ended December 31, 2008*

	Business-Type Activities			Total Enterprise Funds
	Water Operating Fund	Sewer Operating Fund	Other Enterprise Fund	
Operating Receipts				
Charges for Services	\$1,097,316	\$1,062,945		\$2,160,261
Other Operating Receipts	28,064	101,500		129,564
<i>Total Operating Receipts</i>	<u>1,125,380</u>	<u>1,164,445</u>		<u>2,289,825</u>
Operating Disbursements				
Personal Services	327,252	309,870		637,122
Fringe Benefits	203,444	172,624		376,068
Contractual Services	147,955	199,248		347,203
Materials and Supplies	153,310	58,938		212,248
<i>Total Operating Disbursements</i>	<u>831,961</u>	<u>740,680</u>		<u>1,572,641</u>
<i>Operating Income</i>	293,419	423,765		717,184
Non-Operating Receipts (Disbursements)				
Intergovernmental		9,159		9,159
Special Assessments	16,528	14,174		30,702
Capital Outlay	(79,513)	(16,414)		(95,927)
Principal Payments	(115,592)	(167,095)		(282,687)
Interest and Fiscal Charges	(74,509)	(84,632)		(159,141)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(253,086)</u>	<u>(244,808)</u>		<u>(497,894)</u>
<i>Change in Net Assets</i>	40,333	178,957		219,290
Net Assets Beginning of Year	<u>1,821,824</u>	<u>1,319,633</u>	<u>\$314,897</u>	<u>3,456,354</u>
<i>Net Assets End of Year</i>	<u>\$1,862,157</u>	<u>\$1,498,590</u>	<u>\$314,897</u>	<u>\$3,675,644</u>

See accompanying notes to the financial statements

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

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

NOTE 1 – REPORTING ENTITY

The Village of Ottawa, Putnam County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Beginning January 1, 2000 the Village's form of government was changed from statutory to a charter form of government. A six-member Council elected at large for four-year terms directs the Village. The Mayor is elected to a four-year term, and votes only to break a tie.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, water and sewer utilities, maintenance of Village roads and bridges, park operations, and police services. The Village appropriates general fund money to support a volunteer fire department.

B. Component Units

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Village is obligated for the debt of the organization. The Village is also financially accountable for any organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Village, are accessible to the Village and are significant in amount to the Village. Based on these criteria, the Village has no component units.

C. Public Entity Risk Pools

The Village participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization is the Public Entities Pool of Ohio.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Village's accounting policies.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

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

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Village as a whole. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash balance of the governmental and business-type activities of the Village at year-end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a cash basis or draws from the Village's general receipts.

Fund Financial Statements

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

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

B. Fund Accounting

The Village uses fund accounting 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. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into two categories, governmental and proprietary.

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Village has four major governmental funds including the General Fund, Income Tax Fund, Budget Stabilization Fund, and Bluffton Waterline Fund.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

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

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

- The Income Tax Fund is a special revenue fund used primarily to fund capital improvements. Its use is restricted by Village ordinance.
- The Budget Stabilization Fund is classified as a special revenue fund and was established with special one-time revenue to stabilize the Village's budget against cyclical uncertainties.
- The Bluffton Waterline Fund is a capital projects fund used to account for revenues and expenditures related to the construction of a waterline to serve the community of Bluffton, Ohio.

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

Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as enterprise.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village's major Enterprise funds are the water and sewer funds.

Water Fund - The Water Fund accounts for the provision of water to the residents and commercial users located within the Village.

Sewer Fund - The Sewer Fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

C. Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

D. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund, department, and object level for all funds.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

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

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

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance 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 Village Council during the year.

E. Cash and Investments

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

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains at the time of sale are recorded as receipts.

During 2008, the Village invested in nonnegotiable certificates of deposit, savings accounts, money market funds, and STAROhio. The nonnegotiable certificates of deposit are reported at cost. The savings accounts and money market accounts are reported at the amount the Village has recorded as of December 31, 2008.

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

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2008 was \$404,409, which includes \$297,741 assigned from other Village funds.

F. Inventory and Prepaid Items

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

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

H. Interfund Receivables/Payables

The Village reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

I. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's cash basis of accounting.

J. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Long-Term Obligations

The Village's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

L. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for capital expenditures such as land and land improvements, street improvements, and police and fire equipment.

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

M. Fund Balance Reserves

The Village reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance, which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

N. Interfund Transactions

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

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

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

presented in the financial statements.

NOTE 3 – BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund, Income Tax Fund and Budget Stabilization Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year-end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year-end (budgetary basis) amounted to \$62,795 for the General Fund, \$394,889 for the Village's Income Tax Fund, and \$6,000 for the Budget Stabilization Fund.

NOTE 4 – DEPOSITS AND INVESTMENTS

Monies held by the Village are classified by State statute into three categories.

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

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

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

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

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

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 division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio).

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 Village, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

At year end, the Village had \$150 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$7,735,008 of the Village's bank balance of \$9,368,082 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of December 31, 2008, the Village had \$845,518 invested in STAR Ohio. STAR Ohio has a maturity of approximately one month.

STAR Ohio carries a rating of AAAM by Standard and Poor's. The Village has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

NOTE 5 – INCOME TAXES

The Village levies a 1 percent income tax whose proceeds are placed into the Income Tax Fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. In the latter case, the Village allows a credit of the lesser of actual taxes paid to another city or 100 percent of the 1 percent tax rate on taxable income. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

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

NOTE 6 – PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2008 represent the collection of 2007 taxes. Real property taxes received in 2008 were levied after October 1, 2007, on the assessed values as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2008 represent the collection of 2007 taxes. Public utility real and tangible personal property taxes received in 2008 became a lien on December 31, 2006, were levied after October 1, 2007, and are collected in 2008 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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

The full tax rate for all Village operations for the year ended December 31, 2008, was \$4.00 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2008 property tax receipts were based are as follows:

Real Property	
Residential	\$61,158,820
Agriculture	530,820
Commercial/Industrial/Mineral	19,652,200
Public Utility Property	
Real	18,180
Personal	2,377,640
Tangible Personal Property	2,671,210
Total Assessed Value	<u>\$86,408,870</u>

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

NOTE 7 – RISK MANAGEMENT

Risk Pool Membership

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006 PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year.

For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006) as noted above.

Property Coverage

Beginning in 2005, APEEP established a risk-sharing property program. Under the program, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount was increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. For 2006, APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will then reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

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

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006 (the latest information available):

	<u>2007</u>	<u>2006</u>
Assets	\$37,560,071	\$36,123,194
Liabilities	<u>(17,340,825)</u>	<u>(16,738,904)</u>
Net Assets	<u>\$20,219,246</u>	<u>\$19,384,290</u>

At December 31, 2007 and 2006, respectively, the liabilities above include approximately \$15.9 million and \$15.0 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$15.0 million and \$14.4 million of unpaid claims to be billed to approximately 443 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Village's share of these unpaid claims collectible in future years is approximately \$55,000. This payable includes the subsequent year's contribution due if the Village terminates participation, as described in the last paragraph below.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
2006	\$45,480
2007	47,753
2008	47,757

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

NOTE 8 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

Plan Description - The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which

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

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

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

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2008, members in state and local classifications contributed 10 percent of covered payroll, public safety and law enforcement members contributed 10.1.

The Village's contribution rate for 2008 was 14 percent, except for those plan members in law enforcement or public safety, for whom the Village's contribution rate was 17.4 percent of covered payroll. For the 2008 a portion of the Village's contribution equal to 7 percent of covered payroll was allocated to fund the postemployment healthcare plan. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate of the Village of 14 percent, except for public safety and law enforcement, where the maximum employer contribution rate is 18.1 percent.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2008, 2007, and 2006 were \$70,180, \$81,302, and \$84,183 respectively. The full amount has been contributed for 2008, 2007 and 2006.

B. Ohio Police and Fire Pension Fund

Plan Description - The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations. The Village's contribution was 19.5 percent for police officers. Contribution rates are established by State statute. For 2008, a portion of the Village's contribution equal to 6.75 percent of covered payroll was allocated to fund the postemployment healthcare plan. The Village's required contributions to OP&F for the years ended December 31, 2008, 2007, and 2006 were \$33,757, \$36,662, and \$31,720. The full amount has been contributed for 2008, 2007 and 2006.

NOTE 9 – POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

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

Plan Description – OPERS maintains a cost-sharing multiple-employer defined benefit postemployment healthcare plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment healthcare. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for postemployment healthcare coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide healthcare benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

Funding Policy – The postemployment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). State statute requires that public employers fund postemployment 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 postemployment healthcare.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2008, local government employers contributed 14 percent of covered payroll (17.40 percent 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 funding postemployment healthcare benefits. The amount of the employer contributions which was allocated to fund postemployment healthcare was 7 percent of covered payroll for 2008.

The retirement board is also authorized to establish rules for the payment of a portion of the healthcare benefits by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the postemployment healthcare plan.

The Village's contributions allocated to fund postemployment healthcare benefits for the years ended December 31, 2008, 2007, and 2006 were \$70,180, \$53,631 and \$41,176 respectively. The full amount has been contributed for 2008, 2007 and 2006.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan which was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the healthcare plan.

B. Ohio Police and Fire Pension Fund

Plan Description – The Village contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing multiple-employer defined post -employment healthcare plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium reimbursement and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to postretirement healthcare coverage for any person who receives or is eligible to

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

receive a monthly service, disability, or survivor benefit or is a spouse or eligible dependent child of such person.

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide healthcare coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding policy – OP&F's postemployment healthcare plan was established and is administered as an Internal Revenue Code 401(h) account within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees. The Ohio Revised Code sets the contribution rates for participating employers and for plan members to the OP&F. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 17.40 percent of covered payroll for police and fire employers.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made to the pension plan to the 401(h) account as the employer contribution for retiree healthcare benefits. For 2008, a portion of the Village's contribution equal to 6.75 percent of covered payroll was allocated to fund the postemployment healthcare plan. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of Section 401(h).

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the healthcare plan by retirees and their eligible dependents, 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 OPEB Plan.

The Village's contributions to OP&F which were allocated to fund postemployment healthcare benefits for police were \$17,871 for the year ended December 31, 2008, \$17,338 for the year ended December 31, 2007, and \$20,921 for the year ended December 31, 2006. The full amount has been contributed for 2008, 2007, and 2006.

NOTE 10 – DEBT

The Village's long-term debt activity for the year ended December 31, 2008 was as follows:

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

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

	Interest Rate	Balance December 31, 2007	Additions	Reductions	Balance December 31, 2008	Due Within One Year
<u>Governmental Activities</u>						
General Obligation Bonds 2001	2.5-4.1%	\$1,060,000		\$250,000	\$810,000	\$250,000
General Obligation Bonds 2005	3.25-5%	1,860,000		70,000	1,790,000	75,000
OPWC Loan - Storm Sewer	0%	240,579		30,072	210,507	30,072
Dump Truck Loan	4.1%		\$65,000		65,000	65,000
Total Governmental Activities		<u>\$3,160,579</u>	<u>\$65,000</u>	<u>\$350,072</u>	<u>\$2,875,507</u>	<u>\$420,072</u>
<u>Business-type Activities</u>						
OPWC Loan - Water	0%	\$22,500		\$5,000	\$17,500	\$5,000
OPWC Loan – Pohl Sewer	0%	335,258		17,193	318,065	17,193
OWDA Loan #2447 (WWTP)	4.12%	3,724,496		245,573	3,478,923	255,794
OWDA Loan #3790 (WTP)	3.15%	1,146,524		53,941	1,092,583	55,653
OWDA Loan #4380 (Pohl Water)	2.75%	743,519		38,842	704,677	
OWDA Loan #4381 (Pohl Sewer)	2.75%	535,329		27,114	508,215	
OWDA Loan #4570 (Tank)	2.84%	427,562		17,809	409,753	
OWDA Loan #4783 (Bluffton)	2.75%	22,995	\$1,388,765		1,411,760	
Total Business-type Activities		<u>\$6,958,183</u>	<u>\$1,388,765</u>	<u>\$405,472</u>	<u>\$7,941,476</u>	<u>\$333,640</u>

Total reductions in governmental activities in the above table are \$122,786 lower than principal retirements in the governmental financial statements because the Village retires certain debt issues from both governmental and proprietary funds. Also, for the same reason, total reductions in business-type activities in the above table are \$122,786 higher than principal payments in the business-type financial statements. Also, OPWC made loan adjustments to the Pohl Sewer loan that do not appear on the financial statement totaling \$36,903 which affected the beginning balance due at December 31, 2007.

The general obligation bonds are supported by the full faith and credit of the Village and are payable from unvoted property tax receipts to the extent that other resources are not available to meet annual principal and interest payments.

The Dump Truck Loan relates to a note from Huntington Bank for the purchase of a new Dump Truck. The loan will be repaid in 2009 with an interest rate of 4.1%.

The Ohio Public Works Commission 0% loans relate to a storm sewer project, water tank improvement and sanitary sewer extension. The storm sewer loan will be repaid in semiannual installments of \$15,036 over 20 years. Income tax revenues are the dedicated source of repayment for this loan. The water tank loan will be repaid in semiannual installments of \$2,500 over 20 years. Water revenues are the dedicated source of repayment for this loan. The sanitary sewer extension loan has not been officially closed out, but it is anticipated it will be repaid in semiannual installments over 20 years. This loan is not included in the accompanying amortization schedule. Sewer revenues are the dedicated source of repayment for this loan.

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

The Ohio Water Development Authority (OWDA) loan #2447 for the wastewater treatment plant improvements relates to a sewer system expansion project that was mandated by the Ohio Environmental Protection Agency. The loan will be repaid in semiannual installments including interest, over 20 years. Sewer receipts and income tax revenues secure the loan.

The OWDA loan #3790 for the water treatment plant improvements relates to a water system expansion project that was necessary to meet upcoming Environmental Protection Agency requirements. The construction has been completed but the loan has not been officially closed and a final amortization schedule is unavailable. The loan will be repaid in semiannual installments including interest, over 20 years, but is not included in the accompanying amortization schedule. Water receipts secure this loan. The Village has set utility rates sufficient to cover debt service.

The purpose of the OWDA loan #4380 for the Pohl Road area water line extension was to service a recently annexed area. The construction has been completed but the loan has not been officially closed and a final amortization schedule is unavailable. The loan will be repaid in semiannual installments over 20 years, but is not included in the accompanying amortization schedule. This loan will be repaid with water receipts.

The OWDA loan #4381 for the Pohl Road area sanitary sewer extension was mandated by the Ohio Environmental Protection Agency. The improvements have not been completed to date and a final amortization schedule is unavailable. The loan will be repaid in semiannual installments over 20 years, but is not included in the accompanying amortization schedule. This loan will be repaid with sewer receipts.

The OWDA loan #4570 is for rehabilitation of two water storage tanks. The improvements have not been completed to date and a final amortization schedule is unavailable. The loan will be repaid in semiannual installments over 20 years, but is not included in the accompanying amortization schedule.

The OWDA loan #4783 is for construction of a waterline to supply water to a neighboring village. The increased consumption is essential in stabilizing water rates for all users of the water system. Construction has not been completed, the loan has not been closed, and a final amortization schedule is unavailable. This loan is not included in the accompanying amortization schedule.

The following is a summary of the Village's future annual debt service requirements:

Year	G.O. Bonds		OWDA Loan		OPWC Loans	Dump Truck Loan	
	Principal	Interest	Principal	Interest	Principal	Principal	Interest
2009	\$325,000	\$109,616	\$311,447	\$174,705	\$52,265	\$65,000	\$1,791
2010	350,000	97,241	323,863	162,291	52,265		
2011	365,000	83,523	336,775	149,377	52,265		
2012	85,000	68,838	350,207	135,945	49,765		
2013	85,000	65,650	364,182	121,971	47,265		
2014 – 2018	485,000	268,885	2,051,018	379,751	146,109		
2019 – 2023	620,000	142,665	789,890	54,804	85,965		
2024 – 2027	285,000	18,060	44,124	695	60,173		
Totals	<u>\$2,600,000</u>	<u>\$854,478</u>	<u>\$4,571,506</u>	<u>\$1,179,539</u>	<u>\$546,072</u>	<u>\$65,000</u>	<u>\$1,791</u>

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects

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

of the debt limitations at December 31, 2008, were an overall debt margin of \$6,472,931 and an unvoted debt margin of \$2,152,488.

NOTE 11 – INTERFUND TRANSFERS

During 2008, \$24,547 was transferred from the General Fund to the Hazard Mitigation Grant Arrowhead Fund to cover the local matching portion of the federal grant.

NOTE 12 – CONSTRUCTION AND CONTRACTUAL COMMITMENTS

<u>Vendor/Project</u>	<u>Contract Amount</u>	<u>Balance Outstanding 12/31/08</u>
Underground Utilities Bluffton Waterline Project	\$6,172,645	\$6,172,645
Poggemeyer Design Group L-9 Widening	\$43,481	\$26,260
Ward Construction Catch Basins	\$22,225	\$22,225
Kahle Electric WTP High Service Pump Room Flood Repair	\$32,800	\$32,800
Kahle Electric Electrical Work for Flooding	\$10,000	\$4,984
Kneuve & Sons Plumbing & Heating City Building Flood Work	\$51,156	\$20,466
Kahle Electric Flood Work	\$40,000	\$30,342
GSA Auto Choice Cruiser	\$22,184	\$22,184

NOTE 13 – CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. Grantors 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.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

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

FEDERAL GRANTOR	Federal CFDA Number	Disbursements
Program Title		
UNITED STATES DEPARTMENT OF HOMELAND SECURITY		
<i>Direct Program</i>		
Assistance to Firefighters Grant	97.044	\$118,804
<i>Passed through the Ohio Emergency Management Agency</i>		
Disaster Grants - Public Assistance	97.036	143,463
Hazard Mitigation Grant	97.039	<u>352,876</u>
Total Department of Homeland Security		615,143
UNITED STATES ARMY CORPS OF ENGINEERS		
<i>Direct Program</i>		
Section 205 Grant	12.unknown	98,000
UNITED STATES ENVIRONMENTAL PROTECTION AGENCY		
<i>Passed through the Ohio Environmental Protection Agency</i>		
Nonpoint Source Implementation Grants	66.460	<u>10,153</u>
Total		<u><u>\$723,296</u></u>

The accompanying notes are an integral part of this Schedule

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - MATCHING REQUIREMENTS

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



Mary Taylor, CPA

Auditor of State

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

Village of Ottawa
Putnam County
136 North Oak Street
Ottawa, Ohio 45875-1810

To the Village Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Ottawa, Putnam County, Ohio (the Village), as of and for the year ended December 31, 2008, which collectively comprise the Village's basic financial statements and have issued our report thereon dated September 3, 2009, wherein, we noted the Village uses a comprehensive accounting basis other than accounting principles generally accepted in the United States of America. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

We consider finding 2008-001 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

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

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

Compliance and Other Matters

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

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



Mary Taylor, CPA
Auditor of State

September 3, 2009



Mary Taylor, CPA

Auditor of State

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

Village of Ottawa
Putnam County
136 North Oak Street
Ottawa, Ohio 45875-1810

To the Village Council:

Compliance

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

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

In our opinion, the Village of Ottawa, Putnam County, Ohio complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2008.

Internal Control Over Compliance

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

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

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

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

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



Mary Taylor, CPA
Auditor of State

September 3, 2009

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Hazard Mitigation Grant CFDA # 97.039 Assistance to Firefighters Grant CFDA # 97.044
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

FINDING NUMBER 2008-001

Material Weakness

Monitoring Financial Statements

Accurate financial reporting is the responsibility of the Fiscal Officer and is essential to ensure the information provided to the readers of the financial statements accurately reflects the Village's activity.

VILLAGE OF OTTAWA
PUTNAM COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2008
(Continued)

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

FINDING NUMBER 2008-001 (Continued)

Material Weakness - Monitoring Financial Statements (Continued)

The 2008 financial statements contained material errors, such as the following:

- Debt proceeds from the Ohio Water Development Authority in the amount of \$9,753 were not recorded on the financial statements.
- Rent, Proceeds from Insurance Settlement, and Refund of Prior Year Expenditure revenues in the amount of \$475,601 were recorded as Miscellaneous Revenues on the Statement of Activities and in the Income Tax Fund.
- Miscellaneous Revenues for Donations in the amount \$685 were recorded as Program Cash Receipts for Operating Grants and Contributions and Capital Grants and Contributions on the Statement of Activities.

Ten adjusting entries were posted to the financial statements to correct these and other errors. The financial statements presented have been adjusted to reflect these corrections.

To ensure the Village's financial statements and notes to the statements are complete and accurate, the Village Council should adopt policies and procedures, including a final review of the financial statements, management discussion and analysis, and notes to the financial statements to identify and correct errors and omissions.

Officials' Response

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

3. FINDINGS FOR FEDERAL AWARDS

None.

VILLAGE OF OTTAWA
PUTNAM COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2007-001	Financial Reporting recommendation for financial statement errors.	No	Finding has not been corrected and is repeated in this report as item 2008-001.



Mary Taylor, CPA
Auditor of State

VILLAGE OF OTTAWA

PUTNAM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
OCTOBER 1, 2009