



**Mary Taylor, CPA**  
Auditor of State



VILLAGE OF OTTAWA  
PUTNAM COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets – Cash Basis.....	11
Statement of Activities – Cash Basis.....	12
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances - Governmental Funds.....	14
Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances - Governmental Funds.....	15
Statement of Receipts, Disbursements, and Changes in Fund Balance - Budget and Actual - Budget Basis - General Fund.....	16
Statement of Receipts, Disbursements, and Changes in Fund Balance - Budget and Actual - Budget Basis – Income Tax Fund.....	17
Statement of Receipts, Disbursements, and Changes in Fund Balance - Budget and Actual - Budget Basis – Budget Stabilization Fund.....	18
Statement of Fund Net Assets – Cash Basis - Proprietary Funds.....	19
Statement of Cash Receipts, Disbursements, and Changes in Fund Net Assets – Cash Basis – Proprietary Funds.....	20
Notes to the Financial Statements.....	21
Federal Awards Expenditures Schedule.....	36
Notes to the Federal Awards Expenditures Schedule.....	37
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	39
Independent Accountant's Report on Compliance With Requirements Applicable To Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.....	41
Schedule of Findings.....	43
Schedule of Prior Audit Findings.....	45

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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, 2009, 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, 2009, 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 June 30, 2010, 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

June 30, 2010

**VILLAGE OF OTTAWA  
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
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, 2009, 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 2009 are as follows:

- Net assets of governmental activities decreased \$1,214,621, or 19 percent, a significant change from the prior year. Cash and cash equivalents in Other Governmental Funds realized a decrease of 34.8 percent, which can be attributed mostly to disbursements from capital projects funds for their intended purposes including the Hazard Mitigation Grant Program (HMGP) Funds, Education/Skilled Learning Fund, and Bluffton Waterline Fund. There was deficit spending in the General Fund due in part to a decrease in interest earnings. Management has taken steps to cut General Fund expenditures. Cash out of the Budget Stabilization Fund was used for flood mitigation expenses. There was an insignificant decrease in cash in the Income Tax Fund.
- The Village's general receipts are primarily income taxes and property taxes. These receipts represent respectively 30.2 and 9 percent of the total cash received for governmental activities during the year. Income tax receipts for 2009 decreased 7.9 percent compared to 2008 indicating a decline in earnings within the Village. The 15.4 percent increase in property tax in 2009 compared to 2008 is reflective of increased permissive tax monies received in 2009. The 98.9 percent decrease in sale of notes in 2009 compared to 2008 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 completed in 2008.
- The Water Operating Fund and the Sewer Operating Fund, the Village's major business-type activities, realized decreases in net assets of 9.1 and 5.5 percent respectively. 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.

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.

**VILLAGE OF OTTAWA  
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
UNAUDITED  
(Continued)**

**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 2009, 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.

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.



**VILLAGE OF OTTAWA  
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
UNAUDITED  
(Continued)**

**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 2009 compared to 2008 on a cash basis:

(Table 1)  
**Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
<b>Assets</b>						
Cash and Cash Equivalents	\$5,171,397	\$6,386,018	\$3,423,469	\$3,675,644	\$8,594,866	\$10,061,662
<b>Net Assets</b>						
Restricted for:						
Capital Outlay	239,392	682,744			239,392	682,744
Other Purposes	3,807,610	4,168,507			3,807,610	4,168,507
Unrestricted	1,124,395	1,534,767	3,423,469	3,675,644	4,547,864	5,210,411
<b>Total Net Assets</b>	<b>\$5,171,397</b>	<b>\$6,386,018</b>	<b>\$3,423,469</b>	<b>\$3,675,644</b>	<b>\$8,594,866</b>	<b>\$10,061,662</b>

**VILLAGE OF OTTAWA  
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
UNAUDITED  
(Continued)**

As mentioned previously, net assets of governmental activities decreased \$1,214,621 or 19 percent during 2009. The primary reasons contributing to the increases in cash balances are as follows:

- Cash in Other Governmental Funds decreased \$522,064, which can be attributed mostly to disbursements from capital projects funds for their intended purposes including the HMGP Funds, Education/Skilled Learning Fund and the Bluffton Waterline Fund.
- There was deficit spending in the amount of \$410,372 in the General Fund due in part to a decrease in interest earnings. The majority of General Fund expenditures are related to security of persons and property.
- Cash in the amount of \$262,700 was expended out of the Budget Stabilization Fund for flood mitigation efforts.

**VILLAGE OF OTTAWA  
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
UNAUDITED  
(Continued)**

Table 2 reflects the changes in net assets in 2009 compared to 2008 on a cash basis:

(Table 2)

**Changes in Net Assets**

	Governmental Activities 2009	Governmental Activities 2008	Business Type Activities 2009	Business Type Activities 2008	Total 2009	Total 2008
<b>Receipts:</b>						
<b>Program Receipts:</b>						
Charges for Services and Sales	\$122,685	\$123,287	\$2,393,397	\$2,190,963	\$2,516,082	\$2,314,250
Operating Grants and Contributions	271,182	289,262		9,159	271,182	298,421
Capital Grants and Contributions	863,582	1,924,625			863,582	1,924,625
<b>Total Program Receipts</b>	<b>1,257,449</b>	<b>2,337,174</b>	<b>2,393,397</b>	<b>2,200,122</b>	<b>3,650,846</b>	<b>4,537,296</b>
<b>General Receipts:</b>						
Property and Other Local Taxes	415,306	359,618			415,306	359,618
Municipal Income Taxes	1,139,087	1,236,898			1,139,087	1,236,898
Grants and Entitlements Not Restricted to Specific Programs	179,229	190,847			179,229	190,847
Notes Issued	15,997	1,453,765			15,997	1,453,765
Sale of Capital Assets	288,637	17,335			288,637	17,335
Interest	267,731	404,409			267,731	404,409
Proceeds from Insurance Settlement	126,670	30,245	61,834		188,504	30,245
Refund of Prior Year Expenditure		401,347				401,347
Miscellaneous	76,697	76,474	18,075	129,564	94,772	206,038
<b>Total General Receipts</b>	<b>2,509,354</b>	<b>4,170,938</b>	<b>79,909</b>	<b>129,564</b>	<b>2,589,263</b>	<b>4,300,502</b>
<b>Total Receipts</b>	<b>3,766,803</b>	<b>6,508,112</b>	<b>2,473,306</b>	<b>2,329,686</b>	<b>6,240,109</b>	<b>8,837,798</b>
<b>Disbursements:</b>						
General Government	609,164	578,092			609,164	578,092
Security of Persons and Property:	769,926	883,796			769,926	883,796
Leisure Time Activities	200,757	251,342			200,757	251,342
Community Environment	319,259	85,282			319,259	85,282
Basic Utilities	12,297	294,877			12,297	294,877
Transportation	256,264	235,353			256,264	235,353
Capital Outlay	2,243,580	3,363,290			2,243,580	3,363,290
Principal Retirement	437,191	472,858			437,191	472,858
Interest and Fiscal Charges	132,986	196,916			132,986	196,916
Water Operating			1,449,780	1,101,575	1,449,780	1,101,575
Sewer Operating			1,275,701	1,008,821	1,275,701	1,008,821
<b>Total Disbursements</b>	<b>4,981,424</b>	<b>6,361,806</b>	<b>2,725,481</b>	<b>2,110,396</b>	<b>7,706,905</b>	<b>8,472,202</b>
<b>Increase (Decrease) in Net Assets</b>	<b>(1,214,621)</b>	<b>146,306</b>	<b>(252,175)</b>	<b>219,290</b>	<b>(1,466,796)</b>	<b>365,596</b>
<b>Net Assets, January 1</b>	<b>6,386,018</b>	<b>6,239,712</b>	<b>3,675,644</b>	<b>3,456,354</b>	<b>10,061,662</b>	<b>9,696,066</b>
<b>Net Assets, December 31</b>	<b>\$5,171,397</b>	<b>\$6,386,018</b>	<b>\$3,423,469</b>	<b>\$3,675,644</b>	<b>\$8,594,866</b>	<b>\$10,061,662</b>

**VILLAGE OF OTTAWA  
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
UNAUDITED  
(Continued)**

Program receipts represent 58.5 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 recreational entry fees, and license and permit fees are also included in program receipts.

In 2009, general receipts represent 41.5 percent of the Village's total receipts, and of this amount, 16 percent are local taxes. Over 10.9 percent are miscellaneous receipts such as proceeds from insurance and refunds of prior year expenditures; 10.3 percent are interest earnings, which can fluctuate annually due to the rate of return; and 11.1 percent are for sale of capital assets, including land, sold for economic development.

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 45 percent of all governmental disbursements. Security of persons and property, general government and debt service also represent significant costs, 15.4 percent, 12.2 percent and 11.4 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, 2009  
UNAUDITED  
(Continued)**

(Table 3)

	<b>Governmental Activities</b>			
	Total Cost of Services 2009	Net Cost of Services 2009	Total Cost of Services 2008	Net Cost of Services 2008
	<u>2009</u>	<u>2009</u>	<u>2008</u>	<u>2008</u>
General Government	\$609,164	\$494,281	\$578,092	\$476,174
Security of Persons and Property	769,926	604,402	883,796	748,670
Leisure Time Activities	200,757	199,437	251,342	250,108
Economic Development	319,259	(372,869)	85,282	(1,349,882)
Basic Utilities	12,297	9,674	294,877	253,733
Transportation	256,264	(24,707)	235,353	(387,235)
Capital Outlay	2,243,580	2,243,580	3,363,290	3,363,290
Principal Retirement	437,191	437,191	472,858	472,858
Interest and Fiscal Charges	132,986	132,986	196,916	196,916
<b>Total Expenses</b>	<u><u>\$4,981,424</u></u>	<u><u>\$3,723,975</u></u>	<u><u>\$6,361,806</u></u>	<u><u>\$4,024,632</u></u>

The dependence upon property and income tax receipts is apparent as 85.47 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 supported 87.8 percent of the business type activities. 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 \$3,774,385 and disbursements and other financing uses of \$4,989,006. The greatest change within governmental funds occurred within the Other Governmental Funds. The fund balance of the Other Governmental Funds decreased \$522,064, which is due to expenditures out of capital projects funds for their intended purposes including HMGP Funds, Education/Skilled Learning Fund, and Bluffton Waterline Fund.

There was deficit spending in the amount of \$410,372 in the General Fund due in part to a decrease in interest earnings.

Cash in the amount of \$262,700 was expended out of the Budget Stabilization Fund for flood mitigation efforts.

The Income Tax Fund had an insignificant decrease in fund balance of \$19,485.

**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.

**VILLAGE OF OTTAWA  
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
UNAUDITED  
(Continued)**

Final disbursements and other financing uses in the General Fund were budgeted at \$2,283,510 while actual disbursements and other financing uses were \$1,332,676. The Village employs a conservative approach to budgeting by estimating receipts low and appropriations high. In 2009, 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, 2009, the Village's outstanding debt included \$1,715,000 in general obligation bonds issued for construction of the Putnam County Educational Service Center/Community Learning Center, \$560,000 in general obligation bonds issued for various purposes, \$519,939 in Ohio Public Works Commission (OPWC) loans for improvements to water and sewer utility services, and \$7,173,634 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, 2009*

	Governmental Activities	Business - Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$5,171,397	\$3,423,469	\$8,594,866
<b>Net Assets</b>			
Restricted for:			
Capital Projects	\$239,392		\$239,392
Other Purposes	3,807,610		3,807,610
Unrestricted	1,124,395	\$3,423,469	4,547,864
<i>Total Net Assets</i>	\$5,171,397	\$3,423,469	\$8,594,866

See accompanying notes to the financial statements

**VILLAGE OF OTTAWA  
PUTNAM COUNTY**

*Statement of Activities - Cash Basis  
For the Year Ended December 31, 2009*

	Program Cash Receipts			
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities</b>				
General Government	\$609,164	\$114,883		
Security of Persons and Property	769,926	3,050	\$850	\$161,624
Leisure Time Activities	200,757	1,320		
Community Environment	319,259	2,817	15,956	673,355
Basic Utility Services	12,297		1,831	792
Transportation	256,264	615	252,545	27,811
Capital Outlay	2,243,580			
Debt Service:				
Principal	437,191			
Interest	132,986			
<i>Total Governmental Activities</i>	4,981,424	122,685	271,182	863,582
<b>Business Type Activities</b>				
Water	1,449,780	1,261,717		
Sewer	1,275,701	1,131,680		
<i>Total Business Type Activities</i>	2,725,481	2,393,397		
<b>Total</b>	<b>\$7,706,905</b>	<b>\$2,516,082</b>	<b>\$271,182</b>	<b>\$863,582</b>

**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

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
(\$494,281)		(\$494,281)
(604,402)		(604,402)
(199,437)		(199,437)
372,869		372,869
(9,674)		(9,674)
24,707		24,707
(2,243,580)		(2,243,580)
(437,191)		(437,191)
(132,986)		(132,986)
(3,723,975)		(3,723,975)
	(\$188,063)	(188,063)
	(144,021)	(144,021)
	(332,084)	(332,084)
(3,723,975)	(332,084)	(4,056,059)
257,568		257,568
82,738		82,738
1,139,087		1,139,087
75,000		75,000
179,229		179,229
15,997		15,997
288,637		288,637
267,731		267,731
126,670	61,834	188,504
76,697	18,075	94,772
2,509,354	79,909	2,589,263
(1,214,621)	(252,175)	(1,466,796)
6,386,018	3,675,644	10,061,662
\$5,171,397	\$3,423,469	\$8,594,866

**VILLAGE OF OTTAWA  
PUTNAM COUNTY**

*Statement of Cash Basis Assets and Fund Balances  
Governmental Funds  
December 31, 2009*

	General	Income Tax Fund	Budget Stabilization Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	<u>\$1,124,395</u>	<u>\$2,299,457</u>	<u>\$770,308</u>	<u>\$977,237</u>	<u>\$5,171,397</u>
<b>Fund Balances</b>					
Reserved:					
Reserved for Encumbrances	\$23,455	\$126,891	\$59,300	\$73,187	\$282,833
Unreserved:					
Undesignated, Reported in:					
General Fund	1,100,940				1,100,940
Special Revenue Funds		2,172,566	711,008	671,062	3,554,636
Capital Projects Funds				232,988	232,988
<i>Total Fund Balances</i>	<u>\$1,124,395</u>	<u>\$2,299,457</u>	<u>\$770,308</u>	<u>\$977,237</u>	<u>\$5,171,397</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, 2009*

	General	Income Tax Fund	Budget Stabilization Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>					
Municipal Income Taxes		\$1,139,087			\$1,139,087
Property and Other Local Taxes	\$257,568			\$157,738	415,306
Special Assessments		6,103			6,103
Charges for Services	4,716			614	5,330
Fines, Licenses and Permits	29,018			568	29,586
Intergovernmental	302,714			983,538	1,286,252
Lease Income		87,769			87,769
Interest	267,731			21,638	289,369
Miscellaneous	37,102	39,102		493	76,697
<i>Total Receipts</i>	<u>898,849</u>	<u>1,272,061</u>		<u>1,164,589</u>	<u>3,335,499</u>
<b>Disbursements</b>					
Current:					
General Government	282,207	324,517		2,440	609,164
Security of Persons and Property	653,366			116,560	769,926
Leisure Time Activities	200,205			552	200,757
Community Environment	56,559		\$262,700		319,259
Basic Utility Services				12,297	12,297
Transportation	136			256,128	256,264
Capital Outlay	116,748	837,675		1,289,157	2,243,580
Debt Service:					
Principal Retirement		344,867		92,324	437,191
Interest and Fiscal Charges		109,617		23,369	132,986
<i>Total Disbursements</i>	<u>1,309,221</u>	<u>1,616,676</u>	<u>262,700</u>	<u>1,792,827</u>	<u>4,981,424</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(410,372)</u>	<u>(344,615)</u>	<u>(262,700)</u>	<u>(628,238)</u>	<u>(1,645,925)</u>
<b>Other Financing Sources (Uses)</b>					
Notes Issued				15,997	15,997
Proceeds from Insurance Settlement		36,493		90,177	126,670
Sale of Capital Assets		288,637			288,637
Advance In		3,791		3,791	7,582
Advance Out		(3,791)		(3,791)	(7,582)
<i>Total Other Financing Sources (Uses)</i>		<u>325,130</u>		<u>106,174</u>	<u>431,304</u>
<i>Net Change in Fund Balances</i>	(410,372)	(19,485)	(262,700)	(522,064)	(1,214,621)
Fund Balances Beginning of Year	<u>1,534,767</u>	<u>2,318,942</u>	<u>1,033,008</u>	<u>1,499,301</u>	<u>6,386,018</u>
<i>Fund Balances End of Year</i>	<u>\$1,124,395</u>	<u>\$2,299,457</u>	<u>\$770,308</u>	<u>\$977,237</u>	<u>\$5,171,397</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, 2009*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$221,487	\$230,539	\$257,568	\$27,029
Charges for Services	39,901	39,901	4,716	(35,185)
Fines, Licenses and Permits	34,220	34,220	29,018	(5,202)
Intergovernmental	236,276	239,207	302,714	63,507
Interest	200,150	200,150	267,731	67,581
Miscellaneous	8,400	8,400	37,102	28,702
<i>Total Receipts</i>	<u>740,434</u>	<u>752,417</u>	<u>898,849</u>	<u>146,432</u>
<b>Disbursements</b>				
Current:				
General Government	436,712	446,712	289,794	156,918
Security of Persons and Property	854,412	863,442	664,749	198,693
Leisure Time Activities	278,501	291,701	201,686	90,015
Community Environment	147,888	147,888	59,560	88,328
Transportation	141	141	138	3
Capital Outlay	516,011	492,810	116,749	376,061
<i>Total Disbursements</i>	<u>2,233,665</u>	<u>2,242,694</u>	<u>1,332,676</u>	<u>910,018</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(1,493,231)</u>	<u>(1,490,277)</u>	<u>(433,827)</u>	<u>1,056,450</u>
<b>Other Financing Uses</b>				
Transfers Out	(40,716)	(40,716)		40,716
Other Financing Uses	(100)	(100)		100
<i>Total Other Financing Uses</i>	<u>(40,816)</u>	<u>(40,816)</u>		<u>40,816</u>
<i>Net Change in Fund Balance</i>	<u>(1,534,047)</u>	<u>(1,531,093)</u>	<u>(433,827)</u>	<u>1,097,266</u>
<i>Fund Balance Beginning of Year</i>	1,471,972	1,471,972	1,471,972	
Prior Year Encumbrances Appropriated	62,795	62,795	62,795	
<i>Fund Balance End of Year</i>	<u><u>\$720</u></u>	<u><u>\$3,674</u></u>	<u><u>\$1,100,940</u></u>	<u><u>\$1,097,266</u></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, 2009*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Municipal Income Taxes	\$1,000,000	\$1,000,000	\$1,139,087	\$139,087
Special Assessments	5,630	5,630	6,103	473
Lease Income			87,769	87,769
Miscellaneous	72,200	72,200	39,102	(33,098)
<i>Total Receipts</i>	<u>1,077,830</u>	<u>1,077,830</u>	<u>1,272,061</u>	<u>194,231</u>
<b>Disbursements</b>				
Current:				
General Government	435,883	435,883	326,404	109,479
Capital Outlay	2,387,027	2,387,027	947,644	1,439,383
Debt Service:				
Principal Retirement	464,472	464,472	359,903	104,569
Interest and Fiscal Charges	109,616	109,616	109,616	
<i>Total Disbursements</i>	<u>3,396,998</u>	<u>3,396,998</u>	<u>1,743,567</u>	<u>1,653,431</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(2,319,168)</u>	<u>(2,319,168)</u>	<u>(471,506)</u>	<u>1,847,662</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Insurance Settlement			36,493	36,493
Sale of Capital Assets	226	226	288,637	288,411
Advances In			3,791	3,791
Advances Out			(3,791)	(3,791)
<i>Total Other Financing Sources (Uses)</i>	<u>226</u>	<u>226</u>	<u>325,130</u>	<u>324,904</u>
<i>Net Change in Fund Balance</i>	<u>(2,318,942)</u>	<u>(2,318,942)</u>	<u>(146,376)</u>	<u>2,172,566</u>
<i>Fund Balance Beginning of Year</i>	1,924,053	1,924,053	1,924,053	
Prior Year Encumbrances Appropriated	394,889	394,889	394,889	
<i>Fund Balance End of Year</i>	<u><u>                    </u></u>	<u><u>                    </u></u>	<u><u>\$2,172,566</u></u>	<u><u>\$2,172,566</u></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, 2009*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Disbursements</b>				
Current:				
Community Environment	<u>\$204,260</u>	<u>\$332,000</u>	<u>\$322,000</u>	<u>\$10,000</u>
 <i>Net Change in Fund Balance</i>	(204,260)	(332,000)	(322,000)	10,000
 <i>Fund Balance Beginning of Year</i>	<u>1,027,008</u>	<u>1,027,008</u>	<u>1,027,008</u>	
 Prior Year Encumbrances Appropriated	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>	
 <i>Fund Balance End of Year</i>	<u><u>\$828,748</u></u>	<u><u>\$701,008</u></u>	<u><u>\$711,008</u></u>	<u><u>\$10,000</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, 2009*

	Business-Type Activities			
	Water Operating Fund	Sewer Operating Fund	Other Enterprise Fund	Total Enterprise Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$1,692,169	\$1,416,403	\$314,897	\$3,423,469
<b>Net Assets</b>				
Unrestricted	\$1,692,169	\$1,416,403	\$314,897	\$3,423,469

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, 2009*

	Business-Type Activities			Total Enterprise Funds
	Water Operating Fund	Sewer Operating Fund	Other Enterprise Fund	
<b>Operating Receipts</b>				
Charges for Services	\$1,239,657	\$1,111,214		\$2,350,871
Other Operating Receipts	18,075			18,075
<i>Total Operating Receipts</i>	<u>1,257,732</u>	<u>1,111,214</u>		<u>2,368,946</u>
<b>Operating Disbursements</b>				
Personal Services	326,602	277,936		604,538
Fringe Benefits	238,786	206,978		445,764
Contractual Services	170,942	194,217		365,159
Materials and Supplies	248,389	112,690		361,079
<i>Total Operating Disbursements</i>	<u>984,719</u>	<u>791,821</u>		<u>1,776,540</u>
<i>Operating Income</i>	273,013	319,393		592,406
<b>Non-Operating Receipts (Disbursements)</b>				
Proceeds from Insurance Settlement		61,834		61,834
Special Assessments	22,060	20,466		42,526
Capital Outlay	(235,300)	(42,776)		(278,076)
Principal Payments	(140,877)	(286,339)		(427,216)
Interest and Fiscal Charges	(88,884)	(154,765)		(243,649)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(443,001)</u>	<u>(401,580)</u>		<u>(844,581)</u>
<i>Change in Net Assets</i>	(169,988)	(82,187)		(252,175)
Net Assets Beginning of Year	<u>1,862,157</u>	<u>1,498,590</u>	<u>\$314,897</u>	<u>3,675,644</u>
<i>Net Assets End of Year</i>	<u>\$1,692,169</u>	<u>\$1,416,403</u>	<u>\$314,897</u>	<u>\$3,423,469</u>

See accompanying notes to the financial statements



**VILLAGE OF OTTAWA  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**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, 2009  
(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 three major governmental funds including the General Fund, Income Tax Fund, and Budget Stabilization Fund.

**VILLAGE OF OTTAWA  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 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, 2009  
(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The certificate of estimated resources may be amended during the year if projected increases or decreases in 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 2009, the Village invested in nonnegotiable certificates of deposit, savings accounts, money market funds, and STAR Ohio. 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, 2009.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2009.

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 2009 was \$267,731, which includes \$206,131 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, 2009  
(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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

**VILLAGE OF OTTAWA  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 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 \$23,455 for the General Fund, \$128,891 for the Village's Income Tax Fund, and \$59,300 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;

**VILLAGE OF OTTAWA  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

**NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)**

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;
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 (STAR Ohio).

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, \$1,920,343 of the Village's bank balance of \$8,328,191 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, 2009, the Village had \$327,048 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.

**VILLAGE OF OTTAWA  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

**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.

**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 2009 represent the collection of 2008 taxes. Real property taxes received in 2009 were levied after October 1, 2008, on the assessed values as of January 1, 2008, 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 2009 represent the collection of 2008 taxes. Public utility real and tangible personal property taxes received in 2009 became a lien on December 31, 2007, were levied after October 1, 2008, and are collected in 2009 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.

The full tax rate for all Village operations for the year ended December 31, 2009, was \$4.00 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2009 property tax receipts were based are as follows:

Real Property	
Residential	\$63,168,880
Agriculture	494,380
Commercial/Industrial/Mineral	19,847,720
Public Utility Property	
Real	19,550
Personal	2,390,280
Tangible Personal Property	129,530
Total Assessed Value	<u>\$86,050,340</u>

**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.



**VILLAGE OF OTTAWA  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

**NOTE 7 – RISK MANAGEMENT (CONTINUED)**

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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. 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 and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2008, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does 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

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, 2008 and 2007 (the latest information available):

	<u>2008</u>	<u>2007</u>
Assets	\$35,769,535	\$37,560,071
Liabilities	<u>(15,310,206)</u>	<u>(17,340,825)</u>
Net Assets	<u>\$20,459,329</u>	<u>\$20,219,246</u>

At December 31, 2008 and 2007, respectively, the liabilities above include approximately \$13.8 million and \$15.9 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$12.9 million and \$15.0 million of unpaid claims to be billed to approximately 445 member governments in the future, as of December 31, 2008, and 2007, 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 \$51,000.

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.

**VILLAGE OF OTTAWA  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

**NOTE 7 – RISK MANAGEMENT (CONTINUED)**

<b><u>Contributions to PEP</u></b>	
2007	\$47,753
2008	47,757
2009	52,878

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 contribution. Withdrawing members have no other future obligation to PEP. 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 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, 2009, 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 2009 was 14 percent, except for those plan members in law enforcement or public safety, for whom the Village's contribution rate was 17.40 percent of covered payroll. For 2009 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.

**VILLAGE OF OTTAWA  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

**NOTE 8 - DEFINED BENEFIT PENSION PLANS (CONTINUED)**

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2009, 2008, and 2007 were \$69,119, \$70,180, and \$81,302 respectively. The full amount has been contributed for 2009, 2008 and 2007.

**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 2009, 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, 2009, 2008, and 2007 were \$39,317, \$33,757, and \$36,662 respectively. The full amount has been contributed for 2009, 2008 and 2007.

**NOTE 9 – POSTEMPLOYMENT BENEFITS**

**A. Ohio Public Employees Retirement System**

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 2009, local government employers contributed 14 percent of covered payroll (17.63 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

**VILLAGE OF OTTAWA  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

**NOTE 9 – POSTEMPLOYMENT BENEFITS (Continued)**

amount of the employer contributions which was allocated to fund postemployment healthcare was 7 percent of covered payroll for 2009.

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, 2009, 2008, and 2007 were \$69,119, \$70,180, and \$53,631 respectively. The full amount has been contributed for 2009, 2008 and 2007.

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 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 2009, 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).

**VILLAGE OF OTTAWA  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

**NOTE 9 – POSTEMPLOYMENT BENEFITS (Continued)**

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 \$20,815 for the year ended December 31, 2009, \$17,871 for the year ended December 31, 2008, and \$17,388 for the year ended December 31, 2007. The full amount has been contributed for 2009, 2008, and 2007.

**NOTE 10 – DEBT**

The Village's long-term debt activity for the year ended December 31, 2009 was as follows:

	Interest Rate	Balance December 31, 2008	Additions	Reductions	Balance December 31, 2009	Due Within One Year
<u>Governmental Activities</u>						
General Obligation Bonds 2001	2.5-4.1%	\$810,000		\$250,000	\$560,000	\$275,000
General Obligation Bonds 2005	3.25-5%	1,790,000		75,000	1,715,000	75,000
OPWC Loan - Storm Sewer	0%	210,507		15,037	195,470	45,108
Dump Truck Loan	4.1%	65,000		65,000		
<b>Total Governmental Activities</b>		<b>\$2,875,507</b>		<b>\$405,037</b>	<b>\$2,470,470</b>	<b>\$395,108</b>
<u>Business-type Activities</u>						
OPWC Loan - Water	0%	\$17,500		\$2,500	\$15,000	\$7,500
OPWC Loan – Pohl Sewer	0%	318,065		8,596	309,469	25,789
OWDA Loan #2447 (WWTP)	4.12%	3,478,923		255,795	3,223,128	266,442
OWDA Loan #3790 (WTP)	3.15%	1,092,583		55,653	1,036,930	57,421
OWDA Loan #4380 (Pohl Water)	2.75%	704,677		39,918	664,759	
OWDA Loan #4381 (Pohl Sewer)	2.75%	508,215		13,837	494,378	
OWDA Loan #4570 (Tank)	2.84%	409,753		18,318	391,435	
OWDA Loan #4783 (Bluffton)	2.75%	1,411,760	\$15,997	64,753	1,363,004	
<b>Total Business-type Activities</b>		<b>\$7,941,476</b>	<b>\$15,997</b>	<b>\$459,370</b>	<b>\$7,498,103</b>	<b>\$357,152</b>

Total reductions in governmental activities in the above table are \$32,154 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 \$32,154 higher than principal payments in the business-type financial statements.

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.

**VILLAGE OF OTTAWA  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

**NOTE 10 – DEBT (CONTINUED)**

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. Sewer revenues are the dedicated source of repayment for this loan.

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 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 loan will be repaid in semiannual installments including interest, over 20 years. Water receipts secure this loan.

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. Water receipts secure this loan.

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 been completed but the loan has not been closed, and a final amortization schedule is unavailable. This 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.

**VILLAGE OF OTTAWA  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

**NOTE 10 – DEBT (CONTINUED)**

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

Year	G.O. Bonds		OWDA Loan		OPWC Loans
	Principal	Interest	Principal	Interest	Principal
2010	\$350,000	\$97,241	\$323,863	\$162,291	\$78,397
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	90,000	62,335	378,718	107,435	47,265
2015 – 2019	505,000	245,625	2,132,966	297,800	116,037
2020 – 2024	650,000	115,560	373,347	30,013	85,965
2025 – 2029	145,000	6,090			42,980
Totals	<u>\$2,275,000</u>	<u>\$744,862</u>	<u>\$4,260,058</u>	<u>\$1,004,833</u>	<u>\$519,939</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 of the debt limitations at December 31, 2009, were an overall debt margin of \$6,760,286 and an unvoted debt margin of \$2,457,769.

**NOTE 11 – CONSTRUCTION AND CONTRACTUAL COMMITMENTS**

<u>Vendor/Project</u>	<u>Contract Amount</u>	<u>Balance Outstanding 12/31/09</u>
Underground Utilities Bluffton Waterline Project	\$1,783,277	\$161,343
Ward Construction Putnam Parkway Apron	\$24,770	\$24,770
Hohenbrink Excavating Putnam Parkway Improvements	\$29,497	\$10,529

**NOTE 12 – 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, 2009**

<b>FEDERAL GRANTOR</b>	Federal	
<i>Pass Through Grantor</i>	CFDA	
Program Title	Number	Disbursements
<b>UNITED STATES DEPARTMENT OF HOMELAND SECURITY</b>		
<i>Direct Program</i>		
Assistance to Firefighters Grant	97.044	\$32,352
<i>Passed Through Ohio Emergency Management Agency</i>		
Disaster Grants - Public Assistance	97.036	12,578
Hazard Mitigation Grant	97.039	<u>813,782</u>
Total U.S. Department of Homeland Security		826,360
<b>UNITED STATES ENVIRONMENTAL PROTECTION AGENCY</b>		
<i>Passed Through Ohio Environmental Protection Agency</i>		
Nonpoint Source Implementation Grants	66.460	<u>1,130</u>
<b>Total</b>		<b><u><u>\$859,842</u></u></b>

*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, 2009**

**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.

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# Mary Taylor, CPA

## Auditor of State

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

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, 2009, which collectively comprise the Village's basic financial statements and have issued our report thereon dated June 30, 2010, wherein we noted the Village uses a comprehensive accounting basis other than generally accepted accounting principles. 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 the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2009-001 described in the accompanying schedule of findings to be 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*.

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

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



**Mary Taylor, CPA**  
Auditor of State

June 30, 2010



# 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 REQUIRED BY 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 its major federal program for the year ended December 31, 2009. The summary of auditor's results section of the accompanying schedule of findings identifies the Village's major federal program. 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 included in the Comptroller General of the United States' *Government Auditing Standards*; 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 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 its major federal program for the year ended December 31, 2009.

### 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 opining on compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Village's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, 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

June 30, 2010

VILLAGE OF OTTAWA  
PUTNAM COUNTY

SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2009

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

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

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

**FINDING NUMBER 2009-001**

**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.

The 2009 financial statements contained material errors, such as the following:

- Appropriations in the amount of \$169,407 were not included as original and final appropriations on the Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis for the Income Tax Fund.
- Debt Principal payments for a dump truck loan in the amount of \$65,000 were recorded as a Capital Outlay Expenditure on the financial statements.
- Rent, Proceeds from Insurance Settlement, and Sale of Capital Assets revenues in the amount of \$180,262 were recorded as Miscellaneous Revenues on the Statement of Activities and in the Income Tax Fund.
- Restricted revenues for Interest in the amount \$21,639 were recorded as general receipts on the Statement of Activities.

Adjusting entries ranging in amounts from \$105 to \$180,262 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**

The Village of Ottawa utilizes the Uniform Accounting Network (UAN) software provided by the Auditor of State's office to process financial transactions. Instructional materials associated with the software classifies rent and insurance proceeds as miscellaneous income. The Auditor of State's office has herein adjusted rental income and posted it as a charge for service. The Village of Ottawa will begin to account for rental income accordingly. This software does not offer an account to post insurance proceeds.

### **3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.



VILLAGE OF OTTAWA  
PUTNAM COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2009

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2008-001	Financial Reporting recommendation for financial statement errors.	No	Finding has not been corrected and is repeated in this report as item 2009-001.





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  
JULY 20, 2010