



Dave Yost • Auditor of State



**OTTAWA 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 .....	15
Statement of Activities- Cash Basis .....	16
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Cash Balances – Governmental Funds .....	18
Reconciliation of Total Governmental Fund Cash Balances to Net Assets of Governmental Activities – Cash Basis .....	20
Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances – Governmental Funds – Cash Basis.....	22
Reconciliation of the Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances of Governmental Funds to the Statement of Activities – Cash Basis.....	24
Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balance – Budget Basis – General Fund .....	25
Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balance – Budget Basis – Road and Bridge Fund.....	26
Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balance – Budget Basis – Job and Family Services Fund .....	27
Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balance – Budget Basis – Developmental Disabilities Fund .....	28
Statement of Fund Net Assets – Cash Basis – Proprietary Funds .....	30
Statement of Receipts, Disbursements and Changes in Fund Net Assets – Cash Basis – Proprietary Funds.....	32
Statement of Fiduciary Net Assets – Cash Basis – Fiduciary Funds .....	34
Notes to the Basic Financial Statements .....	35
Schedule of Federal Awards Expenditures.....	79
Notes to the Schedule of Federal Awards Expenditures .....	83
Independent Accountants' Report on Internal Controls Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	85

**OTTAWA COUNTY**  
**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 .....	87
Schedule of Findings.....	89
Corrective Action Plan.....	93
Schedule of Prior Audit Findings.....	95



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Ottawa County  
315 Madison Street, Suite 103  
Port Clinton, Ohio 43452-1943

To the Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Ottawa County, Ohio (the County), as of and for the year ended December 31, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Ohio Administrative Code § 117-2-03 (B) requires the County to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

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 Ottawa County, Ohio, as of December 31, 2011, and the respective changes in cash financial position and the respective budgetary comparisons for the General, Road and Bridge, Jobs and Family Services, and Developmental Disabilities funds, thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

As described in Note 3, the County adopted Governmental Accounting Standards Board Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions. As described in Note 3, the County discontinued reporting Riverview Industries, Inc. as a component unit.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2012, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the County's financial statements taken as a whole. Management's Discussion and Analysis includes tables of net assets, changes in net assets, and governmental activities. The federal awards expenditures schedule (the Schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the Schedule provide additional information, but are not part of the basic financial statements. However these tables and the Schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and the Schedule were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion and Analysis, and we express no opinion or any other assurance on it.



**Dave Yost**  
Auditor of State

September 20, 2010

## OTTAWA COUNTY

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2011 UNAUDITED

The management's discussion and analysis of Ottawa County's (the County) financial performance provides an overall review of the County's financial activities for the year ended December 31, 2011. The intent of the management's discussion and analysis is to look at the County's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the County's financial performance.

#### Financial Highlights

Key financial highlights for 2011 are as follows:

- In total, net cash assets increased \$160,463, which represents a 0.40% increase from fiscal year 2010.
- The 2011 general fund cash receipts and other financing sources of \$15,652,571 exceeded cash disbursements and other financing uses of \$15,165,518 by \$487,053, which represents a 13.69% increase over fiscal year 2010. The 2011 general fund beginning restated cash balance was \$3,557,440, whereas the ending cash balance was \$4,044,493.
- The County's major governmental funds include the General, Road and Bridge, Job and Family Services and Board of Developmental Disabilities.

#### Using the Basic Financial Statements

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

The annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the County as a financial whole, or, as an entire operating entity.

#### Report Components

The Statement of Net Assets - Cash Basis and the Statement of Activities - Cash Basis provide information about the activities of the whole County, presenting an aggregate view of the County's finances.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the County's most significant funds, with all other non-major funds presented in total in a single column. For the County, the General fund is the most significant fund. The County's major funds are the General, Road and Bridge, Job and Family Services and Board of Developmental Disabilities.

#### Basis of Accounting

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

## OTTAWA COUNTY

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2011 UNAUDITED (Continued)

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 County as a Whole

##### Statement of Net Assets and Statement of Activities

The Statement of Net Assets - Cash Basis and the Statement of Activities - Cash Basis answer the question, "How did we do financially during 2011?" These statements include only net cash assets using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year receipts and disbursements if the cash is actually received or paid.

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

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not 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 expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

In the Statement of Net Assets - Cash Basis and the Statement of Activities - Cash Basis, the County is divided into two distinct kinds of activities.

Governmental Activities - Most of the County's programs and services are reported here, which include legislative and executive and judicial general government, human services, health, public safety, and public works. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-Type Activities - These services are provided on a charge for goods or services basis to recover all of the cash disbursements for the goods or services provided. The Riverview Nursing Home, Danbury Sewer Operations, Regional Water Operations, and Catawba Portage Sewer are reported as major enterprise funds and are reported as business activities.

#### Fund Financial Statements

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

Fund financial reports provide detailed information about the County's major funds. The County uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the County's most significant funds. The County's major governmental funds are the General,



## OTTAWA COUNTY

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2011 UNAUDITED (Continued)

Road and Bridge, Job and Family Services and Board of Developmental Disabilities funds.

#### **Governmental Funds**

Most of the County's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund statements provide a detailed view of the County's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various County programs. Since the County is reporting on the cash basis of accounting, the only item resulting in a difference between the amount of net cash assets and fund cash balances or changes in net cash assets and changes in fund cash balances is the consolidation of the County's internal service fund with governmental activities. As such, reconciliations are presented between such financial statements. However, differences will be apparent when comparing gross revenues and expenses on the Fund Financial Statements to the Statement of Activities - Cash Basis due to transfers between governmental funds being eliminated for reporting in the Statement of Activities - Cash Basis.

The County's budgetary process accounts for certain transactions on a cash basis. The budgetary statements for the General fund and all annually budgeted major special revenue funds are presented to demonstrate the County's compliance with annually adopted budgets.

#### **Proprietary Funds**

The County maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for the Riverview Nursing Home, Danbury Sewer Operations, Regional Water Operations, Catawba Portage Sewer, Portage Catawba Water, Sewer District #13 Reserve, Erie Township Sewer Planning, Plasterbed Road Water and Sewer Service, Salem Reserve, Put-In-Bay Water/Wastewater Plan, Project C Water Tower South Bass Island Park, Phase II Erie Township Sewer, and South Bass Island - Future Water and Sewer Extensions. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses an internal service fund to account for a health insurance program for employees of the County.

#### **Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. Agency funds are the County's only fiduciary fund type. Only the cash held at year end for the agency funds is reported.

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

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

**OTTAWA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
UNAUDITED  
(Continued)**

**Government-Wide Financial Analysis**

The table below provides a summary of the County's net cash assets for 2011 and 2010.

	<b>Net Cash Assets</b>					
	Governmental Activities <u>2011</u>	Business-Type Activities <u>2011</u>	Restated Governmental Activities <u>2010</u>	Business-Type Activities <u>2010</u>	2011 <u>Total</u>	Restated 2010 <u>Total</u>
<u>Assets</u>						
Equity in pooled cash and cash equivalents	\$ 25,193,945	\$ 9,547,941	\$ 23,123,251	\$ 10,400,003	\$ 34,741,886	\$ 33,523,254
Cash in segregated accounts	174,843	313	196,093		175,156	196,093
Restricted equity in pooled cash and cash equivalents	89,184	4,533,677	72,097	5,297,461	4,622,861	5,369,558
Restricted cash with fiscal agent		<u>604,467</u>		<u>895,002</u>	<u>604,467</u>	<u>895,002</u>
<b>Total assets</b>	<u>25,457,972</u>	<u>14,686,398</u>	<u>23,391,441</u>	<u>16,592,466</u>	<u>40,144,370</u>	<u>39,983,907</u>
<u>Net Cash Assets</u>						
Restricted	16,968,020	4,533,677	17,189,915	5,297,461	21,501,697	22,487,376
Unrestricted	<u>8,489,952</u>	<u>10,152,721</u>	<u>6,201,526</u>	<u>11,295,005</u>	<u>18,642,673</u>	<u>17,496,531</u>
<b>Total net cash assets</b>	<u>\$ 25,457,972</u>	<u>\$ 14,686,398</u>	<u>\$ 23,391,441</u>	<u>\$ 16,592,466</u>	<u>\$ 40,144,370</u>	<u>\$ 39,983,907</u>

The total net cash assets of the County increased \$160,463. Net cash assets of governmental activities increased \$2,066,531, which represents a 8.83% increase from fiscal year 2010's restated balance. Net cash assets of business-type activities decreased \$1,906,068, or 11.49% from fiscal year 2010.

A portion of the County's net governmental cash assets, \$16,968,020, represents resources that are subject to external restrictions on how they may be used. The remaining balance of governmental unrestricted net cash assets of \$8,489,952 may be used to meet the government's ongoing obligations to citizens and creditors.

**OTTAWA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
UNAUDITED  
(Continued)**

The table below shows the changes in net cash assets for fiscal years 2011 and 2010.

	<b>Change in Net Cash Assets</b>					
	Governmental Activities	Business-Type Activities	Restated Governmental Activities	Business-Type Activities	2011 Total	Restated 2010 Total
	<u>2011</u>	<u>2011</u>	<u>2010</u>	<u>2010</u>	<u>Total</u>	<u>Total</u>
<b>Cash Receipts:</b>						
Program receipts:						
Charges for services and sales	\$ 10,568,721	\$ 18,067,121	\$ 10,956,448	\$ 17,910,746	\$ 28,635,842	\$ 28,867,194
Operating grants and contributions	13,809,515	441,485	13,737,359	395,170	14,251,000	14,132,529
Capital grants and contributions	<u>967,405</u>	<u>                    </u>	<u>515,232</u>	<u>                    </u>	<u>967,405</u>	<u>515,232</u>
Total program receipts	<u>25,345,641</u>	<u>18,508,606</u>	<u>25,209,039</u>	<u>18,305,916</u>	<u>43,854,247</u>	<u>43,514,955</u>
General receipts:						
Property taxes	7,567,425	780,917	7,683,627	785,706	8,348,342	8,469,333
Sales taxes	6,331,076		5,317,400		6,331,076	5,317,400
Other local taxes	503,213		463,814		503,213	463,814
Unrestricted grants	1,527,703		1,905,412		1,527,703	1,905,412
Issuance of debt		3,170,000		172,666	3,170,000	172,666
Investment receipts	723,917		819,673		723,917	819,673
Miscellaneous	<u>2,637,934</u>	<u>123,825</u>	<u>2,951,494</u>	<u>156,475</u>	<u>2,761,759</u>	<u>3,107,969</u>
Total general receipts	<u>19,291,268</u>	<u>4,074,742</u>	<u>19,141,420</u>	<u>1,114,847</u>	<u>23,366,010</u>	<u>20,256,267</u>
Total receipts	<u>44,636,909</u>	<u>22,583,348</u>	<u>44,350,459</u>	<u>19,420,763</u>	<u>67,220,257</u>	<u>63,771,222</u>

**OTTAWA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
UNAUDITED  
(Continued)**

	Governmental Activities <u>2011</u>	Business-Type Activities <u>2011</u>	Restated Governmental Activities <u>2010</u>	Business-Type Activities <u>2010</u>	2011 <u>Total</u>	Restated 2010 <u>Total</u>
<b>Cash Disbursements:</b>						
General government:						
Legislative and executive	5,619,221		4,532,587		5,619,221	4,532,587
Judicial	2,808,857		2,743,289		2,808,857	2,743,289
Public safety	6,868,662		6,397,523		6,868,662	6,397,523
Public works	7,644,368		6,547,220		7,644,368	6,547,220
Health	260,274		230,609		260,274	230,609
Human services	15,105,117		15,875,087		15,105,117	15,875,087
Conservation and recreation	15,919		84,667		15,919	84,667
Economic development	1,635		1,159		1,635	1,159
Other	347,514		528,037		347,514	528,037
Capital outlay	1,396,074		1,627,901		1,396,074	1,627,901
Debt service:						
Principal retirement	2,349,816		2,277,921		2,349,816	2,277,921
Interest and fiscal charges	742,639		820,189		742,639	820,189
Riverview nursing home		10,269,137		9,104,521	10,269,137	9,104,521
Danbury sewer operations		2,573,048		2,482,315	2,573,048	2,482,315
Regional water operations		7,174,186		4,259,118	7,174,186	4,259,118
Catawba portage sewer		3,744,083		1,815,774	3,744,083	1,815,774
Nonmajor enterprise		139,244		408,966	139,244	408,966
<b>Total cash disbursements</b>	<b><u>43,160,096</u></b>	<b><u>23,899,698</u></b>	<b><u>41,666,189</u></b>	<b><u>18,070,694</u></b>	<b><u>67,059,794</u></b>	<b><u>59,736,883</u></b>
Advances	(49,121)	49,121	47,345	(47,345)		
Transfers	<u>638,839</u>	<u>(638,839)</u>	<u>542,335</u>	<u>(542,335)</u>		
<b>Change in net cash assets</b>	<b>2,066,531</b>	<b>(1,906,068)</b>	<b>3,273,950</b>	<b>760,389</b>	<b>160,463</b>	<b>4,034,339</b>
<b>Net cash assets</b>						
at beginning of year (restated)	<u>23,391,441</u>	<u>16,592,466</u>	<u>20,117,491</u>	<u>15,832,077</u>	<u>39,983,907</u>	<u>35,949,568</u>
<b>Net cash assets at end of year</b>	<b><u>\$ 25,457,972</u></b>	<b><u>\$ 14,686,398</u></b>	<b><u>\$ 23,391,441</u></b>	<b><u>\$ 16,592,466</u></b>	<b><u>\$ 40,144,370</u></b>	<b><u>\$ 39,983,907</u></b>

**Governmental Activities**

Governmental net cash assets increased by \$2,066,531 in 2011 from 2010's restated balance. Increase in net assets was the result of receipts exceeding expenditures during 2011.

General government represents activities related to the governing body as well as activities that directly support County programs. In 2011, general government cash disbursements totaled \$8,428,078, or 19.53%, of total governmental activities cash disbursements. General government programs were supported by \$2,839,180 in direct charges to users and \$77,315 in operating grants and contributions.

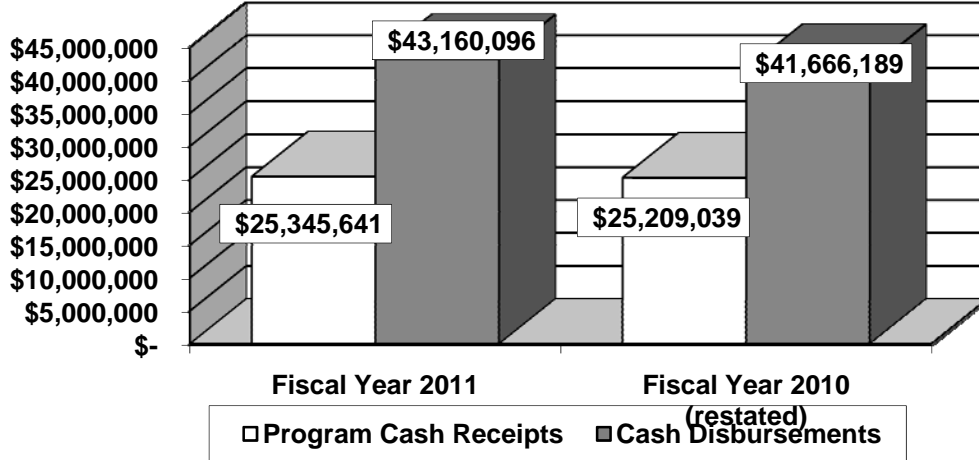
The County's human services programs accounted for \$15,105,117, or 35.00%, of total governmental activities cash disbursements. Human service programs include Public Assistance, Board of Developmental Disabilities, Child Support Enforcement, and Children Services. Human service programs are supported by \$2,082,291 in direct charges to users and \$8,025,789 operating grants and contributions.

**OTTAWA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
UNAUDITED  
(Continued)**

The Statement of Activities - Cash Basis shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2010 and 2011. That is, it identifies the cost of these services supported by tax receipts and unrestricted state grants and entitlements.

**Governmental Activities - Program Cash Receipts vs. Total Cash Disbursements**



The table below shows the changes in net cost of services for fiscal years 2011 and 2010.

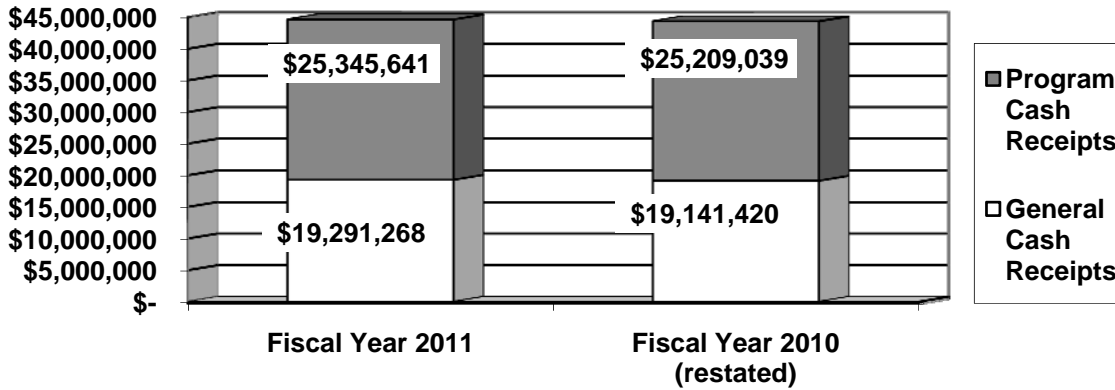
	<b>Governmental Activities</b>			
	Total Cost of Services 2011	Net Cost of Services 2011	Restated Total Cost of Services 2010	Restated Net Cost of Services 2010
<b>Cash disbursements:</b>				
General government:				
Legislative and executive	\$ 5,619,221	\$ 3,725,184	\$ 4,532,587	\$ 2,831,232
Judicial	2,808,857	1,786,399	2,743,289	1,547,274
Public safety	6,868,662	4,718,881	6,397,523	4,404,112
Public works	7,644,368	988,622	6,547,220	636,113
Health	260,274	62,724	230,609	43,964
Human services	15,105,117	4,997,037	15,875,087	5,081,939
Conservation and recreation	15,919	1,919	84,667	(2,755)
Economic development	1,635		1,159	
Other	347,514	216,171	528,037	405,175
Capital outlay	1,396,074	413,394	1,627,901	594,743
Debt service:				
Principal retirement	2,349,816	2,349,816	2,277,921	673,024
Interest and fiscal charges	742,639	(1,445,692)	820,189	242,329
<b>Total</b>	<u>\$ 43,160,096</u>	<u>\$ 17,814,455</u>	<u>\$ 41,666,189</u>	<u>\$ 16,457,150</u>

**OTTAWA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
UNAUDITED  
(Continued)**

The dependence upon general cash receipts for governmental activities is apparent, with 41.28% of cash disbursements supported through taxes and other general cash receipts during 2011.

**Governmental Activities - General and Program Cash Receipts**



**Business-Type Activities**

The Riverview Nursing Home, Danbury Sewer Operations, Regional Water Operations, Catawba Portage Sewer, Portage Catawba Water, Sewer District #13 Reserve, Erie Township Sewer Planning, Plasterbed Road Water and Sewer Service, Salem Reserve, Put-In-Bay Water/Wastewater Plan, Project C Water Tower South Bass Island Park, Phase II Erie Township Sewer, and South Bass Island - Future Water and Sewer Extensions are the County's enterprise funds. These programs had cash receipts (both operating and non-operating) of \$22,583,348, cash disbursements (both operating and non-operating) of \$23,899,698, advances in of \$91,564, advances out of \$42,443, transfers in of \$465,345 and transfers out of \$1,104,184 for fiscal year 2011. The net cash assets of the programs decreased \$1,906,068 from 2010.

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

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

**Governmental Funds**

The County's governmental funds are accounted for using the cash basis of accounting.

The County's governmental funds reported a combined fund cash balance of \$24,288,214, which is \$1,709,089 above last year's restated balance of \$22,579,125 (as described in note 3.B).

**OTTAWA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
UNAUDITED  
(Continued)**

The schedule below indicates the fund cash balance and the total change in fund cash balance as of December 31, 2011 and December 31, 2010 for all major and nonmajor governmental funds.

	Fund Cash Balance <u>December 31, 2011</u>	Restated Fund Cash Balance <u>December 31, 2010</u>	Increase (Decrease)
<b>Major Funds:</b>			
General	\$ 4,044,493	\$ 3,557,440	\$ 487,053
Road and Bridge	3,100,148	3,096,491	3,657
Job and Family Services	788,716	175,815	612,901
Board of Developmental Disabilities	7,857,245	7,562,371	294,874
Other Nonmajor Governmental Funds	<u>8,497,612</u>	<u>8,187,008</u>	<u>310,604</u>
<b>Total</b>	<b><u>\$ 24,288,214</u></b>	<b><u>\$ 22,579,125</u></b>	<b><u>\$ 1,709,089</u></b>

**General Fund**

The general fund, the County's largest major fund, had cash receipts and other financing sources of \$15,652,571 in 2011. The cash disbursements and other financing uses of the general fund totaled \$15,165,518 in 2011. The general fund's cash balance increased \$487,053 over 2010's restated balance.

The table that follows assists in illustrating the cash receipts of the general fund.

	2011 <u>Amount</u>	Restated 2010 <u>Amount</u>	Percentage <u>Change</u>
<b><u>Cash Receipts:</u></b>			
Taxes	\$ 9,529,102	\$ 8,532,526	11.68 %
Charges for services	2,079,803	2,382,267	(12.70) %
Licenses and permits	190,004	115,477	64.54 %
Fines and forfeitures	429,272	486,190	(11.71) %
Intergovernmental	1,509,698	1,854,217	(18.58) %
Investment income	723,917	819,673	(11.68) %
Rental income	35,213	34,861	1.01 %
Other	<u>502,377</u>	<u>821,929</u>	(38.88) %
<b>Total</b>	<b><u>\$ 14,999,386</u></b>	<b><u>\$ 15,047,140</u></b>	<b>(0.32) %</b>

**OTTAWA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
UNAUDITED  
(Continued)**

The table that follows assists in illustrating the cash disbursements of the general fund.

	<u>2011 Amount</u>	<u>Restated 2010 Amount</u>	<u>Percentage Change</u>
<b><u>Cash Disbursements</u></b>			
General government:			
Legislative and executive	\$ 4,506,750	\$ 3,833,939	17.55 %
Judicial	2,643,482	2,484,340	6.41 %
Public safety	5,327,167	5,239,371	1.68 %
Public works	329,811	305,299	8.03 %
Health	123,072	63,486	93.86 %
Human services	675,477	743,680	(9.17) %
Other	373,540	486,970	(23.29) %
Debt service	3,480	9,578	(63.67) %
Total	<u>\$ 13,982,779</u>	<u>\$ 13,166,663</u>	6.20 %

All cash disbursements decreased or remained consistent with the prior year, with the exception of health which only slightly increased. These decreases can be attributed to overall cuts implemented by the County.

**Road and Bridge Fund**

The road and bridge fund, a major fund, had cash receipts and other financing sources of \$6,777,713 in 2011. The road and bridge fund had cash disbursements of \$6,774,056 in 2011. The road and bridge fund cash balance increased \$3,657 from 2010 to 2011.

**Job and Family Services Fund**

The job and family services fund, a major fund, had cash receipts and other financing sources of \$2,872,518 and cash disbursements of \$2,259,617 in 2011. The job and family services fund cash balance increased \$612,901 in 2011. Increase in the fund cash balance was the result of receipts and other financing sources exceeding expenditures during 2011.

**Board of Developmental Disabilities Fund**

The Board of Developmental Disabilities fund, a major fund, had cash receipts of \$7,478,097 in 2011. The fund had cash disbursements and other financing uses of \$7,183,223 in 2011. The fund cash balance increased \$294,874 from 2010 to 2011. Increase in the fund cash balance was the result of receipts exceeding expenditures during 2011.

**Budgeting Highlights - General Fund**

The County's appropriations are prepared according to Ohio law and are based on accounting for transactions on the basis of cash receipts, disbursements and encumbrances. The general fund is the most significant budgeted fund.

During each fiscal year the general fund budget is revised as needs arise. Records of the revisions are found in the Commissioners' Journals.

Estimated receipts in the original and final budget were \$14,441,450. Actual revenues and other financing sources of \$15,369,058 were \$927,608 higher than final budgeted estimates. Original



## OTTAWA COUNTY

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2011 UNAUDITED (Continued)

appropriations of \$13,748,172 were increased to \$15,007,673 in the final budget. Actual disbursements and other financing uses of \$15,016,851 were \$9,178 higher than the final budget. The County variances can be attributed to not having to budget for advances between funds since they are to be repaid.

#### **Capital Assets and Debt Administration**

##### **Capital Assets**

The County does not report capital assets in the accompanying basic financial statements, but records payments for capital assets as cash disbursements. The County had capital outlay disbursements of \$1,396,074 for governmental activities and \$556,395 for business-type activities during fiscal year 2011.

##### **Debt Administration**

The County does not report debt obligations in the accompanying basic financial statements.

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

The County's current population as of the 2010 census is 41,428.

The County's unemployment rate as of December 31, 2011 is 12.8%, compared to the 8.1% State average and the 8.5% national average.

These economic factors were considered in preparing the County's budgets for fiscal year 2011. With the continuation of conservative budgeting practices, the County's financial position should remain strong in future years.

##### **Contacting the County's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Honorable Jo Ellen Regal, Ottawa County Auditor, 315 Madison St., Room 202, Port Clinton, Ohio 43452.

**This page intentionally left blank.**

**OTTAWA COUNTY, OHIO**

STATEMENT OF NET ASSETS - CASH BASIS  
DECEMBER 31, 2011

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Equity in pooled cash, cash equivalents, and investments . . .	\$ 25,193,945	\$ 9,547,941	\$ 34,741,886
Cash in segregated accounts . . . . .	174,843	313	175,156
Restricted assets:			
Equity in pooled cash, cash equivalents, and investments . . .	89,184	4,533,677	4,622,861
Cash with fiscal agent . . . . .		604,467	604,467
<b>Total assets . . . . .</b>	<b>25,457,972</b>	<b>14,686,398</b>	<b>40,144,370</b>
<b>Net assets:</b>			
Restricted for:			
Capital projects . . . . .	74,471		74,471
Debt service. . . . .	36,605		36,605
Public safety programs . . . . .	1,246,139		1,246,139
Public works projects . . . . .	3,378,925		3,378,925
Health services . . . . .	737,654		737,654
Human services programs. . . . .	8,830,805		8,830,805
Economic development . . . . .	1,352		1,352
Repairs and replacements . . . . .		2,163,509	2,163,509
Revenue bond current debt service. . . . .		1,442,773	1,442,773
Revenue bond future debt service . . . . .		927,395	927,395
Other purposes . . . . .	2,662,069		2,662,069
Unrestricted . . . . .	8,489,952	10,152,721	18,642,673
<b>Total net assets . . . . .</b>	<b>\$ 25,457,972</b>	<b>\$ 14,686,398</b>	<b>\$ 40,144,370</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

OTTAWA COUNTY, OHIO

STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2011

	Cash Disbursements	Program Cash Receipts		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities:</b>				
General government:				
Legislative and executive . . . . .	\$ 5,619,221	\$ 1,894,037		
Judicial . . . . .	2,808,857	945,143	\$ 77,315	
Public safety . . . . .	6,868,662	1,088,800	1,060,981	
Public works . . . . .	7,644,368	2,031,472	4,624,274	
Health . . . . .	260,274	197,550	-	
Human services . . . . .	15,105,117	2,082,291	8,025,789	
Conservation and recreation . . . . .	15,919		14,000	
Economic development and assistance . . . . .	1,635	1,635		
Other . . . . .	347,514	124,187	7,156	
Capital outlay . . . . .	1,396,074	15,275		\$967,405
Debt service:				
Principal retirement . . . . .	2,349,816			
Interest and fiscal charges . . . . .	742,639	2,188,331		
Total governmental activities . . . . .	<u>43,160,096</u>	<u>10,568,721</u>	<u>13,809,515</u>	<u>967,405</u>
<b>Business-type activities:</b>				
Riverview nursing home . . . . .	10,269,137	8,631,739	149,270	
Danbury sewer operations . . . . .	2,573,048	2,371,295		
Regional water operations . . . . .	7,174,186	4,912,362	285,215	
Catawba portage sewer . . . . .	3,744,083	2,034,615		
Nonmajor enterprise funds . . . . .	139,244	117,110	7,000	
Total business-type activities . . . . .	<u>23,899,698</u>	<u>18,067,121</u>	<u>441,485</u>	
Total primary government . . . . .	<u>\$ 67,059,794</u>	<u>\$ 28,635,842</u>	<u>\$ 14,251,000</u>	<u>\$ 967,405</u>

**General cash receipts, advances and transfers:**

Property taxes levied for:	
General purposes . . . . .	
Developmental disabilities human services . . . . .	
Senior program human services . . . . .	
Riverview nursing home . . . . .	
Sales taxes . . . . .	
Other local taxes . . . . .	
Grants and entitlements not restricted to specific programs . . . . .	
Issuance of bonds . . . . .	
Investment receipts . . . . .	
Miscellaneous . . . . .	
Total general cash receipts . . . . .	
Advances . . . . .	
Transfers . . . . .	
<b>Total general cash receipts, advances and transfers . . . . .</b>	
<b>Change in net cash assets . . . . .</b>	
<b>Net cash assets at beginning of year (restated) . . . . .</b>	
<b>Net cash assets at end of year . . . . .</b>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Net Cash Receipts (Cash Disbursements)  
and Changes in Net Cash Assets**

<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
\$ (3,725,184)		\$ (3,725,184)
(1,786,399)		(1,786,399)
(4,718,881)		(4,718,881)
(988,622)		(988,622)
(62,724)		(62,724)
(4,997,037)		(4,997,037)
(1,919)		(1,919)
(216,171)		(216,171)
(413,394)		(413,394)
(2,349,816)		(2,349,816)
1,445,692		1,445,692
(17,814,455)		(17,814,455)
	\$ (1,488,128)	(1,488,128)
	(201,753)	(201,753)
	(1,976,609)	(1,976,609)
	(1,709,468)	(1,709,468)
	(15,134)	(15,134)
	(5,391,092)	(5,391,092)
(17,814,455)	(5,391,092)	(23,205,547)
3,198,026		3,198,026
3,968,142		3,968,142
401,257		401,257
	780,917	780,917
6,331,076		6,331,076
503,213		503,213
1,527,703		1,527,703
	3,170,000	3,170,000
723,917		723,917
2,637,934	123,825	2,761,759
19,291,268	4,074,742	23,366,010
(49,121)	49,121	
638,839	(638,839)	
19,880,986	3,485,024	23,366,010
2,066,531	(1,906,068)	160,463
23,391,441	16,592,466	39,983,907
\$ 25,457,972	\$ 14,686,398	\$ 40,144,370

**OTTAWA COUNTY, OHIO**

STATEMENT OF CASH BASIS ASSETS AND FUND CASH BALANCES  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2011

	<u>General</u>	<u>Road and Bridge</u>	<u>Job and Family Services</u>	<u>Board of Developmental Disabilities</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ 3,785,223	\$ 3,100,148	\$ 788,716	\$ 7,857,245
Cash in segregated accounts. . . . .	170,086			
Restricted assets:				
Equity in pooled cash and cash equivalents . . . . .	89,184			
Total assets . . . . .	<u>\$ 4,044,493</u>	<u>\$ 3,100,148</u>	<u>\$ 788,716</u>	<u>\$ 7,857,245</u>
<b>Fund cash balances:</b>				
Nonspendable. . . . .	\$ 89,184			
Restricted . . . . .		\$ 3,100,148	\$ 788,716	\$ 7,857,245
Committed. . . . .				
Assigned. . . . .	380,050			
Unassigned. . . . .	3,575,259			
Total fund cash balances . . . . .	<u>\$ 4,044,493</u>	<u>\$ 3,100,148</u>	<u>\$ 788,716</u>	<u>\$ 7,857,245</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 8,492,855	\$ 24,024,187
4,757	174,843
	89,184
<u>\$ 8,497,612</u>	<u>\$ 24,288,214</u>
	\$ 89,184
\$ 5,221,911	16,968,020
3,275,701	3,275,701
	380,050
	<u>3,575,259</u>
<u>\$ 8,497,612</u>	<u>\$ 24,288,214</u>

OTTAWA COUNTY, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND CASH BALANCES  
TO NET ASSETS - CASH BASIS OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2011

**Total governmental fund cash balances** \$ 24,288,214

*Amounts reported for governmental activities on the statement  
of net assets - cash basis are different because:*

An internal service fund is used by management to charge the cost  
of insurance to individual funds. The assets of the internal service  
fund are included in governmental activities in the statement of  
net assets - cash basis.

1,169,758

**Net assets - cash basis of governmental activities** \$ 25,457,972

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**This page intentionally left blank.**

**OTTAWA COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES  
GOVERNMENTAL FUNDS - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>General</u>	<u>Road and Bridge</u>	<u>Job and Family Services</u>	<u>Board of Developmental Disabilities</u>
<b>Cash receipts:</b>				
Property taxes . . . . .	\$ 3,198,026			\$ 3,968,142
Sales taxes. . . . .	6,331,076			
Other local taxes. . . . .		\$ 460,021		39,038
Charges for services. . . . .	2,079,803	1,923,094		818,127
Licenses and permits . . . . .	190,004	5,000		
Fines and forfeitures . . . . .	429,272	12,087		
Intergovernmental. . . . .	1,509,698	4,046,545	\$ 1,943,047	2,610,614
Special assessments. . . . .				
Investment income . . . . .	723,917			
Rental income. . . . .	35,213			
Other . . . . .	502,377	324	170,339	42,176
Total cash receipts. . . . .	<u>14,999,386</u>	<u>6,447,071</u>	<u>2,113,386</u>	<u>7,478,097</u>
<b>Cash disbursements:</b>				
Current:				
General government:				
Legislative and executive. . . . .	4,506,750			
Judicial . . . . .	2,643,482			
Public safety . . . . .	5,327,167			
Public works . . . . .	329,811	6,715,969		
Health . . . . .	123,072			
Human services . . . . .	675,477		2,259,617	6,960,518
Conservation and recreation. . . . .				
Economic development and assistance. . . . .				
Other . . . . .	373,540			
Capital outlay . . . . .				
Debt service:				
Principal retirement . . . . .	2,720	58,087		
Interest and fiscal charges . . . . .	760			
Total cash disbursements . . . . .	<u>13,982,779</u>	<u>6,774,056</u>	<u>2,259,617</u>	<u>6,960,518</u>
Excess (deficiency) of cash receipts over (under) cash disbursements . . . . .	<u>1,016,607</u>	<u>(326,985)</u>	<u>(146,231)</u>	<u>517,579</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets. . . . .	4,801	25,039		
Other financing sources . . . . .				
Advances in . . . . .	616,403	282,744		
Advances out . . . . .	(350,187)			
Transfers in . . . . .	31,981	22,859	759,132	
Transfers out . . . . .	(832,552)			(222,705)
Total other financing sources (uses). . . . .	<u>(529,554)</u>	<u>330,642</u>	<u>759,132</u>	<u>(222,705)</u>
Net change in fund balance - cash basis . . . . .	487,053	3,657	612,901	294,874
<b>Fund balance - cash basis, January 1 (restated) . . . . .</b>	<u>3,557,440</u>	<u>3,096,491</u>	<u>175,815</u>	<u>7,562,371</u>
<b>Fund balance - cash basis, December 31. . . . .</b>	<u>\$ 4,044,493</u>	<u>\$ 3,100,148</u>	<u>\$ 788,716</u>	<u>\$ 7,857,245</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 401,257	\$ 7,567,425
	6,331,076
4,154	503,213
2,653,939	7,474,963
177,287	372,291
18,320	459,679
6,194,719	16,304,623
2,228,167	2,228,167
	723,917
	35,213
1,526,158	2,241,374
<u>13,204,001</u>	<u>44,241,941</u>
1,167,048	5,673,798
204,478	2,847,960
1,628,768	6,955,935
634,751	7,680,531
140,073	263,145
5,305,635	15,201,247
15,919	15,919
1,635	1,635
7,931	381,471
1,396,074	1,396,074
2,289,009	2,349,816
741,879	742,639
<u>13,533,200</u>	<u>43,510,170</u>
<u>(329,199)</u>	<u>731,771</u>
	29,840
365,128	365,128
296,656	1,195,803
(894,737)	(1,244,924)
1,925,949	2,739,921
(1,053,193)	(2,108,450)
<u>639,803</u>	<u>977,318</u>
310,604	1,709,089
8,187,008	22,579,125
<u>\$ 8,497,612</u>	<u>\$ 24,288,214</u>

OTTAWA COUNTY, OHIO

RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN FUND CASH BALANCES OF GOVERNMENTAL FUNDS - CASH BASIS  
TO THE STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**Net change in fund balance - cash basis - total governmental funds** \$ 1,709,089

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

The internal service fund used by management to charge the costs  
of insurance to individual funds is not reported in the government-wide  
statement of activities - cash basis. Governmental fund disbursements  
and the related internal service fund receipts are eliminated. The total  
change in net assets of the internal service fund is allocated among  
the governmental activities.

357,442

**Change in net cash assets of governmental activities** \$ 2,066,531

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**OTTAWA COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH BALANCE  
GOVERNMENTAL FUNDS - BUDGETARY BASIS  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Budgetary basis receipts:</b>				
Property taxes . . . . .	\$ 3,320,663	\$ 3,320,663	\$ 3,198,026	\$ (122,637)
Sales taxes . . . . .	6,000,000	6,000,000	6,331,076	331,076
Charges for services . . . . .	1,708,600	1,708,600	1,671,684	(36,916)
Licenses and permits. . . . .	114,200	114,200	190,004	75,804
Fines and forfeitures. . . . .	516,400	516,400	429,272	(87,128)
Intergovernmental . . . . .	1,468,353	1,468,353	1,509,698	41,345
Investment income . . . . .	682,250	682,250	723,917	41,667
Rental income . . . . .	30,000	30,000	35,213	5,213
Other . . . . .	530,984	530,984	476,983	(54,001)
Total budgetary basis receipts . . . . .	<u>14,371,450</u>	<u>14,371,450</u>	<u>14,565,873</u>	<u>194,423</u>
<b>Budgetary basis disbursements:</b>				
General government:				
Legislative and executive . . . . .	4,122,529	4,693,158	4,597,042	96,116
Judicial. . . . .	2,404,133	2,521,586	2,476,957	44,629
Public safety . . . . .	4,746,867	5,312,785	5,283,877	28,908
Public works . . . . .	341,951	347,729	334,717	13,012
Health . . . . .	47,396	147,375	142,997	4,378
Human services . . . . .	774,438	767,311	705,274	62,037
Other . . . . .	299,172	326,083	292,276	33,807
Total budgetary basis disbursements. . . . .	<u>12,736,486</u>	<u>14,116,027</u>	<u>13,833,140</u>	<u>282,887</u>
Excess of budgetary basis receipts over budgetary basis disbursements. . . . .	<u>1,634,964</u>	<u>255,423</u>	<u>732,733</u>	<u>477,310</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	60,000	60,000	181,981	121,981
Transfers out. . . . .	(1,011,686)	(851,646)	(833,524)	18,122
Advances in . . . . .			616,403	616,403
Advances out . . . . .		(40,000)	(350,187)	(310,187)
Sale of capital assets. . . . .	10,000	10,000	4,801	(5,199)
Total other financing sources (uses) . . . . .	<u>(941,686)</u>	<u>(821,646)</u>	<u>(380,526)</u>	<u>441,120</u>
Net change in fund balance - cash basis . . . . .	693,278	(566,223)	352,207	918,430
<b>Fund balance - cash basis, January 1 (restated). . . . .</b>	<u>2,234,950</u>	<u>2,234,950</u>	<u>2,234,950</u>	
<b>Prior year encumbrances appropriated . . . . .</b>	<u>377,370</u>	<u>377,370</u>	<u>377,370</u>	
<b>Fund balance - cash basis, December 31 . . . . .</b>	<u>\$ 3,305,598</u>	<u>\$ 2,046,097</u>	<u>\$ 2,964,527</u>	<u>\$ 918,430</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**OTTAWA COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH BALANCE  
 GOVERNMENTAL FUNDS - BUDGETARY BASIS  
 ROAD AND BRIDGE FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Budgetary basis receipts:</b>				
Other local taxes . . . . .	\$ 400,000	\$ 400,000	\$ 460,021	\$ 60,021
Charges for services . . . . .	961,000	961,000	1,923,094	962,094
Licenses and permits . . . . .	8,000	8,000	5,000	(3,000)
Fines and forfeitures. . . . .	20,000	20,000	12,087	(7,913)
Intergovernmental . . . . .	3,525,000	3,525,000	4,046,545	521,545
Other. . . . .	1,000	1,101,000	324	(1,100,676)
Total budgetary basis receipts. . . . .	<u>4,915,000</u>	<u>6,015,000</u>	<u>6,447,071</u>	<u>432,071</u>
<b>Budgetary basis disbursements:</b>				
Current:				
Public works . . . . .	7,369,589	8,474,590	6,786,552	1,688,038
Debt service:				
Principal retirement . . . . .	58,088	58,087	58,087	
Total budgetary basis disbursements . . . . .	<u>7,427,677</u>	<u>8,532,677</u>	<u>6,844,639</u>	<u>1,688,038</u>
Excess of budgetary basis disbursements over budgetary basis receipts	<u>(2,512,677)</u>	<u>(2,517,677)</u>	<u>(397,568)</u>	<u>2,120,109</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets. . . . .			25,039	25,039
Transfers in . . . . .	25,000	25,000	22,859	(2,141)
Advances in . . . . .			282,744	282,744
Total other financing sources (uses) . . . . .	<u>25,000</u>	<u>25,000</u>	<u>330,642</u>	<u>305,642</u>
Net change in fund balance - cash basis . . . . .	<u>(2,487,677)</u>	<u>(2,492,677)</u>	<u>(66,926)</u>	<u>2,425,751</u>
<b>Fund balance - cash basis, January 1 . . . . .</b>	<u>2,796,348</u>	<u>2,796,348</u>	<u>2,796,348</u>	
<b>Prior year encumbrances appropriated . . . . .</b>	<u>300,143</u>	<u>300,143</u>	<u>300,143</u>	
<b>Fund balance - cash basis, December 31 . . . . .</b>	<u>\$ 608,814</u>	<u>\$ 603,814</u>	<u>\$ 3,029,565</u>	<u>\$ 2,425,751</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**OTTAWA COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH BALANCE  
 GOVERNMENTAL FUNDS - BUDGETARY BASIS  
 JOB AND FAMILY SERVICES FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Budgetary basis receipts:</b>				
Intergovernmental . . . . .	\$ 2,402,622	\$ 2,402,622	\$ 1,943,047	\$ (459,575)
Other . . . . .	173,656	202,247	170,339	(31,908)
Total budgetary basis receipts. . . . .	<u>2,576,278</u>	<u>2,604,869</u>	<u>2,113,386</u>	<u>(491,483)</u>
<b>Budgetary basis disbursements:</b>				
Current:				
Human services . . . . .	3,211,304	3,371,689	2,280,680	1,091,009
Total budgetary basis disbursements . . . . .	<u>3,211,304</u>	<u>3,371,689</u>	<u>2,280,680</u>	<u>1,091,009</u>
Excess of budgetary basis disbursements over budgetary basis receipts	<u>(635,026)</u>	<u>(766,820)</u>	<u>(167,294)</u>	<u>599,526</u>
<b>Other financing sources:</b>				
Transfers in . . . . .	591,006	591,006	759,132	168,126
Total other financing sources . . . . .	<u>591,006</u>	<u>591,006</u>	<u>759,132</u>	<u>168,126</u>
Net change in fund balance - cash basis . . . . .	(44,020)	(175,814)	591,838	767,652
<b>Fund balance - cash basis, January 1 . . . . .</b>	122,773	122,773	122,773	
<b>Prior year encumbrances appropriated . . . . .</b>	53,042	53,042	53,042	
<b>Fund balance - cash basis, December 31 . . . . .</b>	<u>\$ 131,795</u>	<u>\$ 1</u>	<u>\$ 767,653</u>	<u>\$ 767,652</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**OTTAWA COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH BALANCE  
 GOVERNMENTAL FUNDS - BUDGETARY BASIS  
 BOARD OF DEVELOPMENTAL DISABILITIES FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Budgetary basis receipts:</b>				
Property taxes . . . . .	\$ 3,800,000	\$ 3,546,331	\$ 3,968,142	\$ 421,811
Other local taxes. . . . .	40,000	40,000	39,038	(962)
Charges for services. . . . .	650,000	650,000	818,127	168,127
Intergovernmental. . . . .	1,730,000	1,959,933	2,610,614	650,681
Other . . . . .	2,600	201,768	42,176	(159,592)
Total budgetary basis receipts . . . . .	<u>6,222,600</u>	<u>6,398,032</u>	<u>7,478,097</u>	<u>1,080,065</u>
<b>Budgetary basis disbursements:</b>				
Current:				
Human services . . . . .	7,325,185	7,681,729	7,394,759	286,970
Total budgetary basis disbursements . . . . .	<u>7,325,185</u>	<u>7,681,729</u>	<u>7,394,759</u>	<u>286,970</u>
Excess (deficiency) of budgetary basis receipts over (under) budgetary basis disbursements. . . . .	<u>(1,102,585)</u>	<u>(1,283,697)</u>	<u>83,338</u>	<u>1,367,035</u>
<b>Other financing sources (uses):</b>				
Transfers out. . . . .	(407,000)	(223,000)	(222,705)	295
Advances in . . . . .	490,000	490,000		(490,000)
Total other financing sources (uses) . . . . .	<u>83,000</u>	<u>267,000</u>	<u>(222,705)</u>	<u>(489,705)</u>
Net change in fund balance - cash basis . . . . .	(1,019,585)	(1,016,697)	(139,367)	877,330
<b>Fund balance - cash basis, January 1 . . . . .</b>	<u>7,405,095</u>	<u>7,405,095</u>	<u>7,405,095</u>	
<b>Prior year encumbrances appropriated . . . . .</b>	<u>152,871</u>	<u>152,871</u>	<u>152,871</u>	
<b>Fund balance - cash basis, December 31 . . . . .</b>	<u>\$ 6,538,381</u>	<u>\$ 6,541,269</u>	<u>\$ 7,418,599</u>	<u>\$ 877,330</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**This page intentionally left blank.**

OTTAWA COUNTY, OHIO

STATEMENT OF PROPRIETARY NET ASSETS - CASH BASIS  
 PROPRIETARY FUNDS  
 DECEMBER 31, 2011

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Riverview Nursing Home</b>	<b>Danbury Sewer Operations</b>	<b>Regional Water Operations</b>	<b>Catawba Portage Sewer</b>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ 645,390	\$ 1,514,644	\$ 5,344,962	\$ 1,909,238
Cash in segregated accounts . . . . .				313
Restricted assets:				
Equity in pooled cash and cash equivalents . . . . .		2,684,255		1,849,422
Cash with fiscal agent. . . . .		604,467		
Total assets. . . . .	<u>645,390</u>	<u>4,803,366</u>	<u>5,344,962</u>	<u>3,758,973</u>
<b>Net assets:</b>				
Restricted for:				
Repairs and replacements . . . . .		703,924		1,459,585
Revenue bond current debt service. . .		1,393,069		49,704
Revenue bond future debt service . . .		587,262		340,133
Unrestricted . . . . .	<u>645,390</u>	<u>2,119,111</u>	<u>5,344,962</u>	<u>1,909,551</u>
Total net assets . . . . .	<u>\$ 645,390</u>	<u>\$ 4,803,366</u>	<u>\$ 5,344,962</u>	<u>\$ 3,758,973</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<u>Nonmajor Enterprise Funds</u>	<u>Total</u>	<u>Governmental Activities - Internal Service Fund</u>
\$ 133,707	\$ 9,547,941 313	\$ 1,169,758
	4,533,677 604,467	
<u>133,707</u>	<u>14,686,398</u>	<u>1,169,758</u>
	2,163,509 1,442,773 927,395	
<u>133,707</u>	<u>10,152,721</u>	<u>1,169,758</u>
<u>\$ 133,707</u>	<u>\$ 14,686,398</u>	<u>\$ 1,169,758</u>

OTTAWA COUNTY, OHIO

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
 IN PROPRIETARY NET ASSETS - CASH BASIS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2011

	Business-Type Activities - Enterprise Funds			
	Riverview Nursing Home	Danbury Sewer Operations	Regional Water Operations	Catawba Portage Sewer
<b>Operating receipts:</b>				
Charges for services . . . . .	\$ 8,631,739	\$ 2,371,295	\$ 4,849,833	\$ 2,001,194
Other . . . . .	11,498	19,401	29,612	16,108
Total operating receipts. . . . .	8,643,237	2,390,696	4,879,445	2,017,302
<b>Operating disbursements:</b>				
Personal services . . . . .	6,409,039	756,557	1,334,220	788,084
Contract services . . . . .	1,924,786	151,938	1,487,832	251,434
Materials and supplies . . . . .	802,063	219,591	159,141	256,355
Capital outlay. . . . .	454,797	51,311	30,722	19,565
Claims . . . . .				
Other . . . . .	134,722	132,756	223,106	147,842
Total operating disbursements. . . . .	9,725,407	1,312,153	3,235,021	1,463,280
Operating receipts over (under) operating disbursements . . . . .	(1,082,170)	1,078,543	1,644,424	554,022
<b>Nonoperating receipts (disbursements):</b>				
Debt service:				
Principal retirement . . . . .	(467,000)	(969,103)	(1,504,528)	(237,222)
Interest and fiscal charges. . . . .	(76,730)	(291,792)	(704,637)	(313,044)
Bond issuance costs. . . . .			(56,900)	(53,341)
Issuance of bonds . . . . .			1,730,000	1,440,000
Intergovernmental receipts . . . . .	149,270		285,215	
Property tax receipts. . . . .	780,917			
Special assessment receipts . . . . .			62,529	33,421
Payment to refunded bond escrow agent . . . . .			(1,673,100)	(1,677,196)
Advances in . . . . .		82,443	475	
Advances out . . . . .				
Other nonoperating revenues . . . . .		17	8,179	12,303
Total nonoperating receipts (disbursements). . . . .	386,457	(1,178,435)	(1,852,767)	(795,079)
Net receipts over (under) disbursements before transfers . . . . .	(695,713)	(99,892)	(208,343)	(241,057)
Transfers in. . . . .	8,669	150,203	139,606	165,607
Transfers out . . . . .		(977,153)	(102,425)	(6,686)
Change in net assets. . . . .	(687,044)	(926,842)	(171,162)	(82,136)
<b>Net assets at beginning of year. . . . .</b>	<u>1,332,434</u>	<u>5,730,208</u>	<u>5,516,124</u>	<u>3,841,109</u>
<b>Net assets at end of year. . . . .</b>	<u>\$ 645,390</u>	<u>\$ 4,803,366</u>	<u>\$ 5,344,962</u>	<u>\$ 3,758,973</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Nonmajor Enterprise Funds	Total	Governmental Activities - Internal Service Fund
	\$ 17,854,061	\$ 5,733,013
\$ 4	76,623	1,046
4	17,930,684	5,734,059
4,307	9,292,207	
	3,815,990	657,467
	1,437,150	
	556,395	
		4,726,518
5,635	644,061	-
9,942	15,745,803	5,383,985
(9,938)	2,184,881	350,074
(103,199)	(3,281,052)	
(26,103)	(1,412,306)	
	(110,241)	
	3,170,000	
7,000	441,485	
	780,917	
117,110	213,060	
	(3,350,296)	
8,646	91,564	
(42,443)	(42,443)	
26,703	47,202	
(12,286)	(3,452,110)	
(22,224)	(1,267,229)	350,074
1,260	465,345	7,368
(17,920)	(1,104,184)	
(38,884)	(1,906,068)	357,442
172,591	16,592,466	812,316
\$ 133,707	\$ 14,686,398	\$ 1,169,758

OTTAWA COUNTY, OHIO

STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS  
FIDUCIARY FUNDS  
DECEMBER 31, 2011

	<u>Agency</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 6,275,034
Cash in segregated accounts . . . . .	878,446
	<hr/>
Total assets . . . . .	\$ 7,153,480
	<hr/> <hr/>
<b>Liabilities:</b>	
Due to Other Governments. . . . .	\$ 7,153,480
	<hr/>
Total liabilities . . . . .	\$ 7,153,480
	<hr/> <hr/>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

## OTTAWA COUNTY

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

#### NOTE 1 - DESCRIPTION OF THE COUNTY

Ottawa County, Ohio (the "County"), was created in 1840. The County is governed by a board of three commissioners elected by the voters of the County. Other officials elected by the voters of the County that manage various segments of the County's operations are the Auditor, Treasurer, Recorder, Clerk of Courts, Coroner, Engineer, Prosecuting Attorney, Sheriff, a Common Pleas Court Judge, a Municipal Court Judge, and a Probate/Juvenile Court Judge.

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

The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements of the County are not misleading.

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

The basic financial statements of the County are presented on a cash basis of accounting, as discussed further in section D. Basis of Accounting in this note disclosure. 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. The County also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989 to its governmental and business-type activities and to its proprietary funds to the extent they are applicable to the cash basis of accounting, provided that these statements and interpretations do not conflict with or contradict GASB pronouncements. The County has the option to also apply FASB statements and interpretations issued after November 30, 1989 to its business-type activities and to its proprietary funds, subject to these same limitations. The County has elected not to apply these FASB statements and interpretations.

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

##### A. Reporting Entity

The County's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity", and as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the basic financial statements are not misleading. The primary government includes all funds, agencies, boards, commissions, and component units for which the County and the County Commissioners are "accountable". Accountability was evaluated based on financial accountability, and the nature and significance of the potential component unit's (PCU) relationship with the County and whether exclusion would cause the County's basic financial statements to be misleading or incomplete. Among the factors considered were separate legal standing; appointment of a voting majority of the PCU's board; fiscal dependency and whether a benefit or burden relationship exists; imposition of will; and the nature and significance of the PCU's relationship with the County.

OTTAWA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)

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

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

*POTENTIAL COMPONENT UNIT NOT REPORTED*

Riverview Industries, Inc. - Riverview Industries is a legally separate, not-for-profit corporation served by a self-appointing board of trustees. Riverview Industries, under a contractual agreement with the Ottawa County Department of Development Disabilities (DD), provides sheltered employment for mentally retarded or handicapped adults in Ottawa County. The Ottawa County Board of Developmental Disabilities provides Riverview Industries with all expenses and personnel for the operation of Riverview Industries including staff salaries, transportation, equipment (except that used directly in the production of goods or rendering of services), staff to administer and supervise training programs, and other funds as necessary for the operation of Riverview Industries. It has been determined that excluding Riverview Industries as a component unit would not have a significant impact on the County's financials. Riverview Industries operates on a fiscal year ending December 31. Financial information for Riverview Industries can be obtained from James Frederick, 8200 West State Route 163, Oak Harbor, Ohio 43449.

*POTENTIAL COMPONENT UNITS REPORTED AS AGENCY FUNDS*

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

Ottawa County Soil and Water Conservation District  
Ottawa County District Board of Health  
Ottawa County Family and Children First Council

The County participates in several joint ventures, a jointly governed organization, and an insurance pool as follows:

*JOINT VENTURES*

Joint Solid Waste District

The Joint Solid Waste District (the "District") is a joint venture between Ottawa, Sandusky, and Seneca Counties. The joint venture was formed to make disposal of waste in the three-county area more comprehensive in terms of recycling, incinerating, and waste disposal.

The District is governed and operated by the three counties. Each of the counties has contractual obligations with the District and shares in the equity of the District based on the percentages of population within the three counties. In the event of dissolution of the District, all members will share in net obligations or asset liquidations in a ratio proportionate to their percentages of population within the member counties at the time of dissolution. The District does not have any outstanding debt.



OTTAWA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)

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

The District consists of a nine-member board of directors, comprised of the three commissioners from each county, who are responsible for the District's financial matters. Each county's degree of control over the District is limited to its representation on the board of directors. The District operates autonomously from the County, the County has no financial responsibility from the operations of the District, and the County does not subsidize the District in any way. The District has not accumulated significant financial resources nor is it experiencing fiscal stress that may cause an additional financial benefit to or burden on the County in the future.

The District's sole revenue source is derived from a waste disposal fee for in-district and out-of-district waste. A sixteen-member policy committee, consisting of five members from each county and one at-large member appointed by the board of directors, is responsible for preparing the solid waste management plan of the District in conjunction with a sixteen-member Technical Advisory Council (members appointed by the policy committee). As of December 31, 2011, the County's equity interest in the Joint Solid Waste District was \$1,103,807. Financial information can be obtained from William Farrell, Sandusky County Auditor, 100 North Park Avenue, Fremont, Ohio, 43420.

*Mental Health and Recovery Board of Erie and Ottawa Counties (MHRB)*

The MHRB is a governmental joint venture between Erie and Ottawa Counties. It provides mental health education, consultation, training, and referral services to the public. The organization is controlled by a board whose membership consists of five appointees of the State Board of Mental Health, six appointees of the Ottawa County Commissioners, and nine appointees of the Erie County Commissioners. Fiscal matters are handled by the Erie County Auditor. Financial statements for the MHRB are available, upon request, from: Mental Health and Recovery Board of Erie and Ottawa Counties, 416 Columbus Avenue, Sandusky, Ohio, 44870.

*Regional Airport Authority*

The Regional Airport Authority (the "Airport Authority") is a joint venture between Ottawa and Erie Counties. The Airport Authority was formed to provide maintenance of runways and taxiways at the Airport facility. The Airport Authority operates under the direction of a seven-member board of trustees. Three members are appointed by the County Commissioners in each county. The seventh member is appointed at large by the other six. The members serve without compensation as outlined in Section 308.04 of the Ohio Revised Code. The continued existence of the Airport Authority is dependent upon Ottawa County's participation. The Airport Authority has not accumulated significant financial resources nor is the Airport Authority experiencing fiscal stress that may cause an additional financial benefit to or burden on the County in the future. During 2011, the County provided \$25,947 for airport operations. Financial information for the Airport Authority can be obtained from Valerie Gregory, Secretary, 3255 East State Road, Port Clinton, Ohio, 43452.

## OTTAWA COUNTY

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011 (Continued)

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

##### *JOINTLY GOVERNED ORGANIZATION*

###### *Ottawa County Regional Planning Commission*

The County participates in the Ottawa County Regional Planning Commission (the "Commission"), which is a statutorily created political subdivision of the State. The Commission is jointly governed among Ottawa County, the City of Port Clinton, seven villages, and twelve townships within the County. Each member's control over the operation of the Commission is limited to its representation on the Commission. The Commission makes studies, maps, plans, recommendations, and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the County. In 2011, the County contributed \$75,298 to the Regional Planning Commission.

##### *INSURANCE POOL*

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

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

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

CORSA has issued certificates of participation in order to provide adequate cash reserves. The certificates are secured by the member counties' obligations to make coverage payments to CORSA. The participating counties have no responsibility for the payment of the certificates. The total amount of certificates issued by CORSA for the forty-one participating counties is \$1,645,000. The County does not have an equity interest in CORSA. The County's payment for insurance to CORSA in 2011 was \$359,537.

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

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

The County'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.

OTTAWA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)

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

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

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

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

The financial statements for governmental funds are a statement of assets and fund cash balances, and a statement of cash receipts, disbursements and changes in fund cash balances which reports on the sources (i.e., receipts and other financing sources) and uses (i.e., disbursements and other financing uses) of current financial resources.

The financial statements for proprietary funds are a statement of net assets - cash basis, and a statements of cash basis receipts, disbursements and changes in net cash assets which presents increases (i.e., receipts) and decreases (i.e., disbursements) in net cash assets.

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

The financial statement for the agency funds is a statement of cash basis assets and net cash assets.

OTTAWA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)

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

C. Fund Accounting

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

*GOVERNMENTAL FUNDS*

Governmental funds are those through which most governmental functions of the County are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. The following are the County's major governmental funds:

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

Road and Bridge Fund - This fund accounts for monies derived from gasoline taxes and the sale of motor vehicle licenses. Disbursements are restricted by State law to county road and bridge repair/improvement programs.

Job and Family Services Fund - This fund accounts for federal, state and local monies used to provide general relief and to pay providers of medical assistance and social services.

Ottawa County Board of Developmental Disabilities Fund - This fund accounts for a county-wide tax levy and federal and state grants that are used for developing and implementing programs for developmentally disabled citizens.

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

*PROPRIETARY FUNDS*

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

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

OTTAWA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)

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

Riverview Nursing Home Fund - This fund accounts for the daily operations of the County nursing home. Receipts are generated from resident fees and charges for services and are used to pay other agencies for services, to fund the daily costs of operations, and to provide services to the residents such as laundry, transportation, personal care items, and incidental medical supplies.

Danbury Sewer Operations Fund - This fund accounts for sanitary sewer services provided to individuals and commercial users in Danbury Township and the Village of Marblehead.

Regional Water Operations Fund - This fund accounts for water services provided to individuals and commercial users in Bay, Catawba, Danbury, Erie, Harris, Portage, and Salem Townships, the City of Port Clinton, and the Village of Oak Harbor.

Catawba Portage Sewer Fund - This fund accounts for sanitary sewer services provided to individuals and commercial users in portions of Catawba and Portage Townships.

Internal Service Fund - Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the County on a cost-reimbursement basis. The County's internal service fund accounts for monies received for the activities of the self insurance program for employee health benefits.

**FIDUCIARY FUNDS**

Fiduciary fund reporting focuses on cash basis assets and net cash assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the County under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the County's own programs. Agency funds are custodial in nature and do not involve measurement of the results of operations. The County's only fiduciary funds are agency funds that account for assets held by the County for political subdivisions for which the County acts as fiscal agent and for taxes, state-levied shared revenues, and fines and forfeitures collected and distributed to other political subdivisions.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the basic financial statements. The County's basic financial statements are prepared using the cash basis of accounting. Receipts are recorded in the County's financial records and reported in the basic financial statements when cash is received, rather than when earned. Disbursements are recorded in the County's financial records and reported in the basic financial statements when cash is paid, rather than when a liability is incurred.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as receivables and revenues for goods and services provided and billed but not yet collected) and certain liabilities and their related expenses/expenditures (such as payables and expenses/expenditures for goods and services received but not yet paid, and accrued liabilities and expenses/expenditures) are not reported in these basic financial statements.

**OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

**E. Budgetary Data**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the alternate tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The alternate tax budget indicates the projected receipts and disbursements for those funds receiving tax monies. The certificate of estimated resources establishes a limit on the amount the County Commissioners may appropriate. The appropriations resolution is the County Commissioners' authorization to spend resources and sets annual limits on disbursements plus encumbrances at the level of control selected by the County Commissioners. The legal level of control has been established by the County Commissioners at the fund, department, and object levels for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the County Auditor. 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 certificate of estimated resources in effect at the time final appropriations were passed by the County Commissioners.

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

**F. Cash and Investments**

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

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

During 2011, investments were limited to federal agency securities, money market mutual funds, certificates of deposits, and the State Treasury Asset Reserve of Ohio (STAR Ohio). On the cash basis of accounting, investments are reported at cost.

**OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

The County has invested funds in STAR Ohio during 2011. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the Securities and Exchange Commission (SEC) as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price, which is the price the investment could be sold for on December 31, 2011.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest receipts credited to the general fund during 2011 amounted to \$723,917, which includes \$666,004 assigned from other County funds.

For presentation on the basic financial statements, investments of the cash management pool of the County are considered to be cash equivalents.

**G. Inventories of Materials and Supplies**

On the cash basis of accounting, inventories of materials and supplies are recorded as disbursements when purchased. These items are not reported as assets in the basic financial statements.

**H. Capital Assets**

On the cash basis of accounting, acquisitions of capital assets are recorded as disbursements when paid. These items are not reported as assets in the basic financial statements.

**I. Prepaid Items**

On the cash basis of accounting, payments made to vendors for services that will benefit periods beyond December 31, 2011 are recorded as disbursements when paid. These items are not reported as assets in the basic financial statements.

**J. Loss on Advance Refunding**

On the cash basis of accounting, for advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is recorded as a reduction of disbursement when the transaction occurs. This amount is not reported as a reduction of a liability in the basic financial statements.

**K. Compensated Absences**

On the cash basis of accounting, compensated absences consisting of vacation leave and sick leave are not accrued as a liability and are recorded as disbursements when paid. These amounts are not reported as liabilities in the basic financial statements.

OTTAWA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)

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

**L. Bond Issuance Costs/Bond Discounts and Premiums**

On the cash basis of accounting, bond issuance costs are recorded as disbursements when the transaction occurs. These amounts are not reported as assets in the basic financial statements. Bond discounts are also recorded as disbursements when the transaction occurs. These amounts are not reported as a reduction of a liability in the basic financial statements. Bond premiums are recorded as receipts when the transaction occurs. These amounts are not reported as an increase to a liability in the basic financial statements.

**M. Fund Balance**

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

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

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

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

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

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



**OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

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

**N. Long-term Obligations**

On the cash basis of accounting, issuances of debt are recorded as receipts and debt service payments of principal and interest are recorded as disbursements when these transactions occur. Long-term debt and other long-term obligations are not reported as liabilities in the basic financial statements.

**O. Interfund Transactions**

During the normal course of operations, the County has numerous transactions between funds. Transfers represent the movement of resources from the fund receiving those resources to the fund through which those resources will be disbursed and are recorded as other financing sources and uses in governmental funds and as transfers in proprietary funds. Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general revenues.

On the cash basis of accounting, advances are reported as other financing sources and uses in governmental funds and as nonoperating receipts and disbursements in proprietary funds. Exchange transactions between funds are recorded as receipts in the fund providing the goods or services and as disbursements in the fund receiving the goods or services.

**P. Operating Receipts and Disbursements**

Operating receipts are those receipts that are generated directly from the primary activities of the proprietary funds. For the County, these receipts are charges for services for the County nursing home, water and sewer services, and charges for health care premiums in the internal service fund. Operating disbursements are necessary costs incurred to provide the goods or services that are the primary activities of the proprietary funds. All receipts and disbursements not meeting these definitions are reported as nonoperating.

**Q. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. As of December 31, 2011, there were no net assets restricted by enabling legislation.

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

OTTAWA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)

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

**R. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

Restricted assets in the enterprise funds represent certain resources which are segregated from other resources of the County to comply with various covenants established by bond financing agreements. These assets are generally held in separate accounts of the County or by a trustee. The various covenants place restrictions on the use of these resources, require minimum balances to be maintained in certain accounts, and establish annual amounts to be accumulated for specific purposes.

**S. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the County administration and that are either unusual in nature or infrequent in occurrence. The County had no extraordinary or special items during 2011.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

**A. Change in Accounting Principles**

For fiscal year 2011, the County has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the County.

**B. Fund Reclassifications**

Fund reclassifications are required in order to report funds in accordance with GASB Statement No 54. These fund reclassifications had the following effect on the County's governmental fund cash balances as previously reported:

OTTAWA COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

	<u>General</u>	<u>Road and Bridge</u>	<u>Job and Family Services</u>	<u>Board of DD</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental</u>	<u>Agency</u>
<b>Fund cash balance as previously reported</b>	\$ 2,915,688	\$ 3,096,491	\$ 175,815	\$ 7,562,371	\$ 8,844,296	\$ 22,594,661	\$ 6,077,334
<b>Fund reclassifications:</b>							
Electric aggregation	254,502				(254,502)		
Title administration	195,402				(195,402)		
Recorder's equipment	29,887				(29,887)		
OSCE GIS system	161,961				(161,961)		
Special emergency planning					2,404	2,404	(2,404)
Recreation vehicle and camp					(17,940)	(17,940)	17,940
Total fund reclassifications	641,752				(657,288)	(15,536)	15,536
<b>Restated fund cash balance at January 1, 2010</b>	<u>\$ 3,557,440</u>	<u>\$ 3,096,491</u>	<u>\$ 175,815</u>	<u>\$ 7,562,371</u>	<u>\$ 8,187,008</u>	<u>\$ 22,579,125</u>	<u>\$ 6,092,870</u>

The fund reclassifications resulted in a \$15,536 decrease in the beginning net assets of the governmental activities and an increase of \$15,536 in the beginning net assets of the agency funds.

**C. Budgetary Prior Period Adjustment**

In prior years, certain funds that are legally budgeted in separate special revenue funds were considered part of the general fund on a budgetary basis. Pursuant to GASB Statement No. 54, only the legally budgeted general fund should be reported in the budgetary statement; therefore, a restatement to the beginning budgetary balance is required. The restatement of the general fund's budgetary-basis fund balance at June 30, 2010 is as follows:

<b>Budgetary Basis</b>	
	General
Fund cash balance at June 30, 2010	\$ 2,356,455
Funds budgeted elsewhere	(121,505)
Restated fund cash balance at July 1, 2010	<u>\$ 2,234,950</u>

**OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

**D. Change in Reporting Entity**

For 2011 the County discontinued reporting Riverview Industries, Inc. as a component unit. In evaluating Riverview Industries, Inc in accordance with GASB Statement No. 14, "The Financial Reporting Entity", and as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units", the consideration of fiscal dependency in evaluating a potential component unit is premised on the assumption the potential component unit is not served by a separate governing board. Since Riverview Industries, Inc. is governed by a separate self-appointing board the consideration of fiscal dependency is not required. The County has also determined excluding Riverview Industries as a component unit would not have a significant impact on the County's financial statements.

**E. Compliance**

Ohio Administrative Code Section 117-2-03 (B), requires the County to prepared its annual financial report in accordance with generally accepted accounting principles. However, the County prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The County can be fined and various other administrative remedies may be taken against the County.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

1. United States Treasury Notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States, or any book entry zero-coupon United States treasury security that is a direct obligation of the United States;
2. Bonds, notes, debentures, or any other obligations 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;

**OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in items (1) or (2) above, and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange securities, or cash, equal value for equal value;
9. Up to twenty-five percent of the County's average portfolio in either of the following:
  - a. Commercial paper notes in entities incorporated under the laws of Ohio or any other State that have assets exceeding five hundred million dollars rated at the time of purchase, which are rated in the highest qualification established by two nationally recognized standard rating services, which do not exceed 10 percent of the value of the outstanding commercial paper of the issuing corporation and which mature within two hundred seventy days after purchase;
  - b. Bankers acceptances eligible for purchase by the federal reserve system and which mature within one hundred eighty days after purchase;
10. Up to 15 percent of the County's average portfolio in notes issued by United States corporations or by depository institutions that are doing business under authority granted by the United States provided that the notes are rated in the second highest or higher category by at least two nationally recognized standard rating services at the time of purchase and the notes mature within two years from the date of purchase;
11. No-load money market mutual funds rated in the highest category at the time of purchase by at least one nationally recognized standard rating service consisting exclusively of obligations guaranteed by the United States, securities issued by a federal government agency or instrumentality, and/or highly rated commercial paper; and,
12. Up to 1 percent of the County's average portfolio in debt interests rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government.

**OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

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

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

**A. Cash on Hand**

At year-end, the County had \$47,276 in undeposited cash on hand, which is included on the financial statements of the County as part of "equity in pooled cash and cash equivalents".

**B. Cash in Segregated Accounts**

At year-end, the County deposited \$1,053,602 in accounts separate from the County's internal investment pool. The balances in these depository accounts are included in "deposits with financial institutions" below.

**C. Deposits with Financial Institutions**

At December 31, 2011, the carrying amount of all County deposits was \$24,693,607. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2011, \$2,910,203 of the County's bank balance of \$26,369,357 was covered by the FDIC, while \$23,459,154 was exposed to custodial risk as discussed below.

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

**D. Investments**

As of December 31, 2011, the County had the following investments and maturities:

**OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

<u>Investment type</u>	<u>Amount</u>	<u>Investment Maturities</u>	
		<u>6 months or less</u>	<u>More than 24 months</u>
FHLB	\$ 2,509,278		\$ 2,509,278
FHLMC	4,000,000		4,000,000
FNMA	15,402,953		15,402,953
Mutual funds	604,467	\$ 604,467	-
STAR Ohio	40,269	40,269	-
Total	<u>\$ 22,556,967</u>	<u>\$ 644,736</u>	<u>\$ 21,912,231</u>

The weighted average maturity of investments at December 31, 2011 is 4.61 years.

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

*Credit Risk:* The County's investments were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio an AAAM money market rating. STAR Ohio must maintain the highest letter or numerical rating provided by at least one nationally recognized standard rating service.

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

*Concentration of Credit Risk:* The County places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the County at December 31, 2011:

<u>Investment type</u>	<u>Amount</u>	<u>Percent of Total</u>
FHLB	\$ 2,509,278	11.13
FHLMC	4,000,000	17.73
FNMA	15,402,953	68.28
Mutual Funds	604,467	2.68
STAR Ohio	40,269	0.18
Total	<u>\$ 22,556,967</u>	<u>100.00</u>

**OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

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

The following is a reconciliation of cash and investments as reported in the note disclosure above to cash and investments as reported on the statement of net assets - cash basis as of December 31, 2011:

<u>Cash and investments per note disclosure</u>	
Carrying amount of deposits	\$ 24,693,607
Investments	22,556,967
Cash on hand	47,276
Total	<u>\$ 47,297,850</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 25,457,972
Business-type activities	14,686,398
Agency funds	7,153,480
Total	<u>\$ 47,297,850</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

A. Transfers for the year ended December 31, 2011 consisted of the following, as reported in the fund financial statements:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Major governmental funds:</u>		
General	\$ 31,981	\$ 832,552
Road and bridge	22,859	
Job and family services	759,132	
Board of developmental disabilities		222,705
Nonmajor governmental funds	1,925,949	1,053,193
Total governmental funds	<u>2,739,921</u>	<u>2,108,450</u>
<u>Major enterprise funds:</u>		
Riverview nursing home	8,669	
Danbury sewer operations	150,203	977,153
Regional water operations	139,606	102,425
Catawaba portage sewer	165,607	6,686
Nonmajor enterprise funds	1,260	17,920
Total enterprise funds	<u>465,345</u>	<u>1,104,184</u>
Internal service fund	<u>7,368</u>	
Total	<u>\$ 3,212,634</u>	<u>\$ 3,212,634</u>



**OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

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

- B.** Advances for the year ended December 31, 2011 consisted of the following, as reported in the fund financial statements:

<u>Fund</u>	<u>Advances In</u>	<u>Advances Out</u>
<u>Major governmental funds:</u>		
General	\$ 616,403	\$ 350,187
Road and bridge	282,744	
Nonmajor governmental funds	296,656	894,737
Total governmental funds	<u>1,195,803</u>	<u>1,244,924</u>
<u>Major enterprise funds:</u>		
Danbury sewer operations	82,443	
Regional water operations	475	
Nonmajor enterprise funds	8,646	42,443
Total enterprise funds	<u>91,564</u>	<u>42,443</u>
Total	<u>\$ 1,287,367</u>	<u>\$ 1,287,367</u>

These advances will be repaid in the next year as resources become available. Advances between governmental funds are eliminated for reporting on the government-wide statement of net assets.

**NOTE 6 - PROPERTY TAXES**

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

OTTAWA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)

NOTE 6 - PROPERTY TAXES - (Continued)

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year proceeding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2011 public utility property taxes became a lien December 31, 2010, are levied after October 1, 2011, and are collected in 2012 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County. The County Auditor periodically remits to the taxing districts their portion of the taxes collected.

The full tax rate for all County operations for the year ended December 31, 2011 was \$6.40 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2011 property tax receipts were based are as follows:

<u>Real Property</u>	
Residential/Agricultural	\$ 1,392,661,520
Commercial/Industrial/Mineral	259,511,190
<u>Public Utility</u>	
Real	575,670
Personal	113,060,260
Total Assessed Value	<u>\$ 1,765,808,640</u>

NOTE 7 - PERMISSIVE SALES AND USE TAX

The County Commissioners, by resolution, imposed a 1 percent tax on all retail sales made in the County, except sales of motor vehicles, and on the storage, use, or consumption of tangible personal property in the County, including motor vehicles not subject to the sales tax. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies, to the State Auditor, the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of each month. On July 1, 2010, the County added an additional 1.4% sales tax which is effective for three years.

**OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**NOTE 8 - LONG-TERM OBLIGATIONS**

A. Long-term obligation activity for the fiscal year ended December 31, 2011 was as follows:

<b><u>Governmental Activities:</u></b>	<u>Interest Rate</u>	<u>Balance 12/31/10</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/11</u>	<u>Amount Due In One Year</u>
<b><u>General Obligation Bonds:</u></b>						
2003 County / City Complex (original amount \$1,385,000)	3.63%	\$ 785,000		\$ (85,000)	\$ 700,000	\$ 90,000
2003 Industrial Park Improvements (original amount \$510,000)	3.64	395,000		(40,000)	355,000	45,000
2003 Airport Improvements (original amount \$695,000)	3.63	290,000		(30,000)	260,000	30,000
2003 Community Resource Center (original amount \$3,060,000)	4.18	2,315,000		(95,000)	2,220,000	100,000
2003 Port Authority Improvements (original amount \$605,000)	3.19	255,000		(50,000)	205,000	50,000
2003 Airport Improvements (original amount \$465,000)	3.96	305,000		(20,000)	285,000	20,000
2006 Board of DD Facility Bonds (original amount \$2,020,000)	4.00-4.40	1,735,000		(80,000)	1,655,000	80,000
2006 Riverview Industries Building (original amount \$950,000)	4.00-4.40	815,000		(35,000)	780,000	40,000
2008 Welfare Building Refunding (original amount \$60,000)	3.00	19,000		(19,000)		
2008 Agriculture Building Refunding (original amount \$488,000)	3.00	<u>301,000</u>		<u>(98,000)</u>	<u>203,000</u>	<u>100,000</u>
<b>Total General Obligation Bonds</b>		<u>7,215,000</u>		<u>(552,000)</u>	<u>6,663,000</u>	<u>555,000</u>
<b><u>Special Assessment Bonds:</u></b>						
1991 LaCarne Water (original amount \$45,000)	7.00%	2,300			2,300	2,300
1995 Gypsum Sewer (original amount \$112,769)	4.50	28,200		(5,700)	22,500	5,600
2008 Catawba Sewer Refunding (original amount \$2,295,000)	3.00	789,000		(789,000)		
2008 State Route 163 Refunding (original amount \$60,000)	3.00	18,000		(18,000)		
2008 Route 269 Sewer Refunding (original amount \$22,000)	3.00	<u>12,000</u>		<u>(6,000)</u>	<u>6,000</u>	<u>6,000</u>
<b>Total Special Assessment Bonds</b>		<u>849,500</u>		<u>(818,700)</u>	<u>30,800</u>	<u>13,900</u>

OTTAWA COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)**

<u>Governmental Activities:</u>	<u>Rate</u>	<u>12/31/10</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/11</u>	<u>In One Year</u>
<u>OWDA Loans:</u>						
1998 Dani-Donn (original amount \$47,710)	5.54	26,568		(2,534)	24,034	2,674
1999 Perryview Estates (original amount \$127,826)	6.13	79,587		(6,394)	73,193	6,793
1999 Regional Water (original amount \$17,942,681)	4.02	<u>10,291,726</u>		<u>(909,381)</u>	<u>9,382,345</u>	<u>946,306</u>
Total OWDA Loans		<u>10,397,881</u>		<u>(918,309)</u>	<u>9,479,572</u>	<u>955,773</u>
<u>OPWC Loans:</u>						
2007 Port Clinton Eastern Road (original amount \$157,431)	0.00	137,751		(7,872)	129,879	7,871
2007 Port Clinton Eastern Road (original amount \$382,692)	0.00	334,857		(19,135)	315,722	19,134
2009 Nissen Road Resurfacing (original amount \$41,777)	0.00	20,888		(20,888)		
2009 Lemon Road Bridge Replacement (original amount \$152,891)	0.00	<u>147,795</u>		<u>(10,192)</u>	<u>137,603</u>	<u>7,645</u>
Total OPWC Loans		<u>641,291</u>		<u>(58,087)</u>	<u>583,204</u>	<u>34,650</u>
<u>Other Long-Term Obligations:</u>						
Capital Leases		<u>11,029</u>		<u>(2,720)</u>	<u>8,309</u>	<u>2,202</u>
Total Other Long-Term Obligations		<u>11,029</u>		<u>(2,720)</u>	<u>8,309</u>	<u>2,202</u>
<b>Total Governmental Activities</b>		<u>\$ 19,114,701</u>		<u>\$ (2,349,816)</u>	<u>\$ 16,764,885</u>	<u>\$ 1,561,525</u>

OTTAWA COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)**

<u>Business-Type Activities:</u>	<u>Interest Rate</u>	<u>Balance 12/31/10</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/11</u>	<u>Amount Due In One Year</u>
<u>General Obligation Bonds:</u>						
1998 Catawba Portage Sanitary Sewer (original amount \$3,445,000)	4.25%	\$ 1,655,000		\$ (1,655,000)		
2011 Catawba Portage Sanitary Sewer (original amount \$1,440,000)	1.30-3.70		\$ 1,440,000	(170,000)	\$ 1,270,000	\$ 100,000
1999 Regional Water Development (original amount \$2,000,000)	4.75	1,673,100		(1,673,100)		
2011 Regional Water System Improvement Bonds (original amount \$1,730,000)	2.50-4.875		1,730,000	(65,000)	1,665,000	50,000
2003 Danbury Sewer Refunding (original amount \$3,355,000)	3.30	2,200,000		(525,000)	1,675,000	540,000
2003 County Home Refunding (original amount \$3,650,000)	3.07	1,355,000		(320,000)	1,035,000	330,000
2003 Catawba Portage Sewer Station (original amount \$245,000)	3.66	145,000		(15,000)	130,000	15,000
2006 County Home Improvements (original amount \$965,000)	4.00-4.25	625,000		(95,000)	530,000	100,000
2008 Danbury Sewer Refunding (original amount \$148,000)	3.00	75,000		(41,000)	34,000	34,000
2008 County Home Refunding (original amount \$234,000)	3.00	52,000		(52,000)		
2008 Catawba Portage Sewer Refunding (original amount \$5,272,000)	3.00	5,215,000		(18,000)	5,197,000	130,000
2008 Portage Catawba Water Refunding (original amount \$101,000)	3.00	<u>34,000</u>		<u>(34,000)</u>		
Total General Obligation Bonds		<u>13,029,100</u>	<u>3,170,000</u>	<u>(4,663,100)</u>	<u>11,536,000</u>	<u>1,299,000</u>
<u>Special Assessment Bonds:</u>						
2005 Sanitary Sewer Improvements (original amount \$815,000)	5.00	<u>347,000</u>		<u>(16,000)</u>	<u>331,000</u>	<u>17,000</u>
Total Special Assessment Bonds		<u>347,000</u>		<u>(16,000)</u>	<u>331,000</u>	<u>17,000</u>

OTTAWA COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)**

<u>Business-Type Activities (continued):</u>	<u>Rate</u>	<u>12/31/10</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/11</u>	<u>In One Year</u>
<u>OWDA Loans:</u>						
1997 Danbury Sanitary Sewer (original amount \$1,246,205)	3.04	\$ 523,680		\$ (68,213)	\$ 455,467	\$ 70,303
1997 Regional Water (original amount \$29,991,085)	2.00	18,597,253		(1,164,198)	17,433,055	1,187,482
2001 Camp Perry Western Road (original amount \$17,145)	5.74	12,105		(768)	11,337	814
2004 Danbury Township Wastewater (original amount \$4,632,743)	3.76	3,851,967		(213,557)	3,638,410	221,662
2004 Golf Lane Waterline (original amount \$69,018)	4.56	55,749		(2,786)	52,963	2,915
2004 Water Plant Expansion (original amount \$3,065,360)	4.51%	2,928,039		(69,682)	2,858,357	72,859
2006 South Bass Island Waterline (original amount \$968,848)	2.00	858,028		(41,398)	816,630	42,230
2007 Sewer Construction (original amount \$245,936)	3.82	215,155		(9,570)	205,585	9,939
2008 Ductile Iron Cathode Protection (original amount \$1,216,200)	3.36	1,071,290		(44,174)	1,027,116	45,670
2009 Phase III Water Main Corrosion (original amount \$434,264)	3.52	311,518		(11,761)	299,757	12,178
2009 Phase II Erie Twp. Water & Sewer (original amount \$223,761)	4.79	213,321		(7,383)	205,938	7,741
2009 Sand Road Waterline Replacement (original amount \$420,319)	4.79	<u>400,709</u>	<u>                    </u>	<u>(13,869)</u>	<u>386,840</u>	<u>14,541</u>
Total OWDA Loans		<u>29,038,814</u>	<u>                    </u>	<u>(1,647,359)</u>	<u>27,391,455</u>	<u>1,688,334</u>
<u>OPWC Loans:</u>						
1992 Danbury Sanitary Sewer (original amount \$486,780)	4.00	83,874		(32,557)	51,317	33,872
1994 Portage Catawba Island WWTP (original amount \$168,000)	4.00	50,128		(10,380)	39,748	11,015
1999 Danbury Sewer (original amount \$169,741)	0.00	76,383		(8,487)	67,896	8,487
1999 Allen / Clay Sanitary Sewer (original amount \$23,035)	0.00	10,366		(1,152)	9,214	1,152
2003 Gypsum Water Replacements (original amount \$83,933)	0.00	56,655		(4,196)	52,459	4,197
2003 Clay Center Sanitary Sewer (original amount \$222,352)	0.00	161,205		(11,118)	150,087	11,118
2004 Regional Water System Repair (original amount \$174,000)	0.00	130,500		(8,700)	121,800	8,700

OTTAWA COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)**

<b><u>Business-Type Activities:</u></b>	<u>Interest Rate</u>	<u>Balance 12/31/10</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/11</u>	<u>Amount Due In One Year</u>
<b><u>OPWC Loans (continued):</u></b>						
2004 State Road Sanitary Sewer (original amount \$133,798)	0.00	\$ 103,694		\$ (6,690)	\$ 97,004	\$ 6,690
2006 S.R. 269 Sanitary Sewer Main (original amount \$143,018)	0.00	117,991		(7,151)	110,840	7,151
2009 Phase III Erie Twp. Sewer Improvements (original amount \$238,440)	0.00	238,440		(5,961)	232,479	11,922
<b>Total OPWC Loans</b>		<u>1,029,236</u>		<u>(96,392)</u>	<u>932,844</u>	<u>104,304</u>
<b><u>Ohio Water &amp; Sewer Loans:</u></b>						
1991 Portage Catawba Water (original amount \$185,855)	0.00%	63,775			63,775	
1992 Danbury Sewer (original amount \$216,741)	0.00	87,862		(9,820)	78,042	
1992 Catawba Portage Sewer (original amount \$28,662)	0.00	8,067		(1,152)	6,915	
1999 Regional Water (original amount \$1,108,668)	0.00	926,850		(9,366)	917,484	
2001 Camp Perry Western Road (original amount \$37,929)	0.00	28,436			28,436	
2004 Clay Center (original amount \$13,128)	0.00	13,128			13,128	
2005 State Road Sewer (original amount \$28,990)	0.00	28,990			28,990	
2008 Allen/Clay Phase IV (original amount \$21,207)	0.00	21,207			21,207	
2008 SBI Waterline (original amount \$8,421)	0.00	8,421			8,421	
<b>Total Ohio Water &amp; Sewer Loans</b>		<u>1,186,736</u>		<u>(20,338)</u>	<u>1,166,398</u>	
<b><u>OEPA Loans:</u></b>						
1999 Regional Water (original amount \$3,274,564)	4.02	1,878,254		(165,963)	1,712,291	172,702
<b>Total OEPA Loans</b>		<u>1,878,254</u>		<u>(165,963)</u>	<u>1,712,291</u>	<u>172,702</u>
<b>Total Business-Type Activities</b>		<u>\$ 46,509,140</u>	<u>\$ 3,170,000</u>	<u>\$ (6,609,152)</u>	<u>\$ 43,069,988</u>	<u>\$ 3,281,340</u>

OTTAWA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)

NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)

**General Obligation Bonds**

General obligation bonds are supported by the full faith and credit of Ottawa County. General obligation bonds will be paid from property tax revenues to the extent that other resources are not available to meet annual principal and interest payments.

1998 Various Improvement Bonds

The bonds maturing on September 1, 2018, are subject to mandatory sinking fund redemption on each September 1, commencing September 1, 2012, at a redemption price equal to 100 percent of the principal redeemed plus accrued interest to the redemption date as follows:

<u>Year</u>	<u>Amount</u>
2012	\$ 250,000
2013	200,000
2014	100,000
2015	105,000
2016	110,000
2017	110,000

The remaining principal, in the amount of \$125,000, is payable at stated maturity.

The bonds maturing on September 1, 2031, are subject to mandatory sinking fund redemption on each September 1, commencing September 1, 2019, at a redemption price equal to 100 percent of the principal redeemed plus accrued interest to the redemption date as follows:

<u>Year</u>	<u>Amount</u>
2019	\$ 125,000
2020	140,000
2021	150,000
2022	150,000
2023	320,000
2024	345,000
2025	360,000
2026	385,000
2027	400,000
2028	425,000
2029	440,000
2030	460,000

The remaining principal, in the amount of \$470,000, is payable at stated maturity.



OTTAWA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)

NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)

2003 Various Improvement Bonds

On June 3, 2003, the County issued \$10,615,000 in general obligation bonds with interest rates from 3.63 percent to 4.18 percent. These bonds were issued for improvements to the County/City Complex, Industrial Park Improvement, Airport Improvement, Community Resource Center construction and Port Authority Improvements.

The bonds maturing on December 1, 2015, are subject to mandatory sinking fund redemption on December 1, 2014, at a redemption price of 100 percent of the principal redeemed plus accrued interest to the redemption date as follows:

<u>Year</u>	<u>Amount</u>
2014	\$ 735,000

The remaining principal, in the amount of \$400,000, is payable at stated maturity.

The bonds maturing on December 1, 2021, are subject to mandatory sinking fund redemption on each December 1, commencing December 1, 2016, at a redemption price equal to 100 percent of the principal redeemed plus accrued interest to the redemption date as follows:

<u>Year</u>	<u>Amount</u>
2016	\$ 350,000
2017	370,000
2018	385,000
2019	165,000
2020	170,000

The remaining principal, in the amount of \$175,000, is payable at stated maturity.

The bonds maturing on December 1, 2027, are subject to mandatory sinking fund redemption on each December 1, commencing December 1, 2022, at a redemption price equal to 100 percent of the principal redeemed plus accrued interest to the redemption date as follows:

<u>Year</u>	<u>Amount</u>
2022	\$ 190,000
2023	160,000
2024	165,000
2025	175,000
2026	180,000

The remaining principal, in the amount of \$190,000, is payable at stated maturity.

OTTAWA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)

NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)

2006 Various Improvement Bonds

On June 28, 2006, the County issued \$3,935,000 in general obligation bonds with interest rates from 4.00 percent to 4.40 percent. These bonds were issued for constructing a new building for Mentally Retarded and Developmentally Disabled, Riverview Industries building improvements, and various County building improvements.

The bonds maturing on December 1, 2018, are subject to mandatory sinking fund redemption on December 1, 2017, at a redemption price of 100 percent of the principal redeemed plus accrued interest to the redemption dates in the principal amounts and in the years as follows:

<u>Year</u>	<u>Amount</u>
2017	\$ 145,000

Unless otherwise called for redemption, the remaining principal, in the amount of \$155,000, is payable at stated maturity.

The bonds maturing on December 1, 2020, are subject to mandatory sinking fund redemption on each December 1, commencing December 1, 2019, at a redemption price equal to 100 percent of the principal redeemed plus accrued interest to the redemption dates in the principal amounts and in the years as follows:

<u>Year</u>	<u>Amount</u>
2019	\$ 160,000

Unless otherwise called for redemption, the remaining principal, in the amount of \$165,000, is payable at stated maturity.

The bonds maturing on December 1, 2022, are subject to mandatory sinking fund redemption on each December 1, commencing December 1, 2021, at a redemption price equal to 100 percent of the principal redeemed plus accrued interest to the redemption dates in the principal amounts and in the years as follows:

<u>Year</u>	<u>Amount</u>
2021	\$ 175,000

Unless otherwise called for redemption, the remaining principal, in the amount of \$180,000, is payable at stated maturity.

The bonds maturing on December 1, 2024, are subject to mandatory sinking fund redemption on each December 1, commencing December 1, 2023, at a redemption price equal to 100 percent of the principal redeemed plus accrued interest to the redemption dates in the principal amounts and in the years as follows:

<u>Year</u>	<u>Amount</u>
2023	\$ 190,000

OTTAWA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)

NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)

Unless otherwise called for redemption, the remaining principal, in the amount of \$195,000, is payable at stated maturity.

The bonds maturing on December 1, 2026, are subject to mandatory sinking fund redemption on each December 1, commencing December 1, 2025, at a redemption price equal to 100 percent of the principal redeemed plus accrued interest to the redemption dates in the principal amounts and in the years as follows:

<u>Year</u>	<u>Amount</u>
2025	\$ 205,000

Unless otherwise called for redemption, the remaining principal, in the amount of \$215,000, is payable at stated maturity.

The bonds maturing on December 1, 2018 and thereafter shall be subject to optional redemption, in whole or in part, on any date, in any order of maturity as determined by the County and by lot within a maturity at the option of the County on or after December 1, 2016, at par, which is 100 percent of the face value of the bonds.

**Special Assessment Bonds**

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

**Capital Lease Obligation**

Capital lease obligations will be paid from the fund that maintains the related asset. See Note 9.

**General Obligation Revenue Bonds**

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

**Danbury Sanitary Sewer System Refunding Bonds**

The bonds maturing on October 1, 2014, are subject to mandatory sinking fund redemption on each October 1, commencing October 1, 2014, at a redemption price equal to 100 percent of the principal redeemed plus accrued interest to the redemption date as follows:

<u>Year</u>	<u>Amount</u>
2009	\$ 455,000
2010	485,000
2011	510,000
2012	535,000
2013	565,000

OTTAWA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)

NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)

The remaining principal, in the amount of \$600,000, is payable at stated maturity.

Catawba Portage Sanitary Sewer Revenue Refunding Bonds

The bonds maturing on December 1, 2022, are subject to mandatory sinking fund redemption on each December 1, commencing December 1, 2022, at a redemption price equal to 100 percent of the principal redeemed plus accrued interest to the redemption date as follows:

<u>Year</u>	<u>Amount</u>
2014	\$ 105,000
2015	115,000
2016	120,000
2017	130,000
2018	145,000
2019	145,000
2020	160,000
2021	150,000

The remaining principal, in the amount of \$195,000, is payable at stated maturity.

Fund assets, whose use are restricted under the bond indenture, are presented as restricted assets on the statement of fund net assets. Relating to the Catawba Portage Sanitary Sewer Revenue Refunding Bonds, restricted assets held by the trustee at December 31, 2011 were as follows:

Revenue Bond Debt Service Reserve	\$600,305
Revenue Bond Debt Service	4,162

In prior years, the County defeased certain general obligation revenue bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included on the County's financial statements.

Series 2008 Refunding Bonds

On October 1, 2008, the County issued general obligation and special assessment bonds (Series 2008 Refunding Bonds) to advance refund the callable portion of the Series 1998 general obligation and special assessment bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net assets. The balance of the refunded Series 1998 general obligation and special assessment bonds at December 31, 2011 is \$5,215,000.

OTTAWA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)

NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)

The refunding issues are comprised of general obligation and special assessment bonds, par value \$8,680,000. The interest rate on the general obligation and special assessment bonds is 3.00%. Interest payments on the bonds are due on March 1 and November 1 each year. The final maturity stated in the issues range from September 1, 2011, to September 1, 2031. Payments of principal and interest are recorded as expenses of the general obligation bonds fund (a nonmajor governmental fund) and special assessment bonds fund in the governmental funds and as expenses of the Riverview nursing home fund, Danbury sewer operations fund, Catawba Portage sewer fund and Portage Catawba water fund (a nonmajor business-type fund) in the business-type funds.

The reacquisition price exceeded the net carrying amount of the old debt by \$635,677.

2011 Catawba Portage Sanitary Sewer Refunding Bonds

On June 5, 2011, the County issued \$1,400,000 in refunded general obligation bonds with interest rates from 1.3 percent to 3.7 percent. The proceeds of the bonds were used to refund \$1,655,000 of the County's outstanding 1998 Catawba Portage Sanitary Sewer bonds. The bonds were issued for a 12 year period with final maturity at December 1, 2022.

The bonds maturing on December 1, 2013, are subject to mandatory sinking fund redemption on December 1, 2011, at a redemption price of 100 percent of the principal redeemed plus accrued interest to the redemption date as follows:

<u>Year</u>	<u>Amount</u>
2011	\$ 170,000
2012	100,000

The remaining principal, in the amount of \$95,000, is payable at stated maturity.

The bonds maturing on December 1, 2015, are subject to mandatory sinking fund redemption on each December 1, commencing December 1, 2014, at a redemption price equal to 100 percent of the principal redeemed plus accrued interest to the redemption date as follows:

<u>Year</u>	<u>Amount</u>
2014	\$ 95,000

The remaining principal, in the amount of \$105,000, is payable at stated maturity.

The bonds maturing on December 1, 2017, are subject to mandatory sinking fund redemption on each December 1, commencing December 1, 2016, at a redemption price equal to 100 percent of the principal redeemed plus accrued interest to the redemption date as follows:

<u>Year</u>	<u>Amount</u>
2016	\$ 105,000

OTTAWA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)

NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)

The remaining principal, in the amount of \$110,000, is payable at stated maturity.

The bonds maturing on December 1, 2019, are subject to mandatory sinking fund redemption on each December 1, commencing December 1, 2018, at a redemption price equal to 100 percent of the principal redeemed plus accrued interest to the redemption date as follows:

<u>Year</u>	<u>Amount</u>
2018	\$ 125,000

The remaining principal, in the amount of \$125,000, is payable at stated maturity.

The bonds maturing on December 1, 2022, are subject to mandatory sinking fund redemption on each December 1, commencing December 1, 2020, at a redemption price equal to 100 percent of the principal redeemed plus accrued interest to the redemption date as follows:

<u>Year</u>	<u>Amount</u>
2020	\$ 130,000
2021	120,000

The remaining principal, in the amount of \$160,000, is payable at stated maturity.

2011 Regional Water System Improvement Bonds

On March 9, 2011, the County issued \$1,730,000 in general obligation bonds with interest rates from 2.5 percent to 4.875 percent. The proceeds of the bonds were used to pay \$1,673,100 of the County's outstanding 1999 Regional Water Development bonds. The bonds were issued for a 24 year period with final maturity at December 1, 2034.

The bonds maturing on December 1, 2016, are subject to mandatory sinking fund redemption on December 1, 2011, at a redemption price of 100 percent of the principal redeemed plus accrued interest to the redemption date as follows:

<u>Year</u>	<u>Amount</u>
2011	\$ 65,000
2012	50,000
2013	50,000
2014	50,000
2015	50,000

The remaining principal, in the amount of \$55,000, is payable at stated maturity.

The bonds maturing on December 1, 2021, are subject to mandatory sinking fund redemption on each December 1, commencing December 1, 2017, at a redemption price equal to 100 percent of the principal redeemed plus accrued interest to the redemption date as follows:

OTTAWA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)

NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)

<u>Year</u>	<u>Amount</u>
2017	\$ 55,000
2018	55,000
2019	60,000
2020	60,000

The remaining principal, in the amount of \$65,000, is payable at stated maturity.

The bonds maturing on December 1, 2026, are subject to mandatory sinking fund redemption on each December 1, commencing December 1, 2022, at a redemption price equal to 100 percent of the principal redeemed plus accrued interest to the redemption date as follows:

<u>Year</u>	<u>Amount</u>
2022	\$ 65,000
2023	70,000
2024	70,000
2025	75,000

The remaining principal, in the amount of \$75,000, is payable at stated maturity.

The bonds maturing on December 1, 2031, are subject to mandatory sinking fund redemption on each December 1, commencing December 1, 2027, at a redemption price equal to 100 percent of the principal redeemed plus accrued interest to the redemption date as follows:

<u>Year</u>	<u>Amount</u>
2027	\$ 80,000
2028	85,000
2029	90,000
2030	95,000

The remaining principal, in the amount of \$95,000, is payable at stated maturity.

The bonds maturing on December 1, 2034, are subject to mandatory sinking fund redemption on each December 1, commencing December 1, 2032, at a redemption price equal to 100 percent of the principal redeemed plus accrued interest to the redemption date as follows:

<u>Year</u>	<u>Amount</u>
2032	\$ 100,000
2033	105,000

The remaining principal, in the amount of \$110,000, is payable at stated maturity.

OTTAWA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)

NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)

**Ohio Water and Sewer Loans**

The Ohio Water and Sewer Loans were provided to the County for the deferral of special assessment collections on agricultural land. The loan principal is being deferred as long as the land is used for agriculture purposes. If the land is ever used for other than agriculture purposes, the loan is due and payable, the special assessments are then due and collectible by the County, and the monies collected are to be remitted to the Ohio Water and Sewer Rotary Commission (OWSRC) within one year of collection.

The loans are non-interest bearing as long as the land is used for agriculture purposes. If the land is ever used for other than agriculture purposes and the required special assessments are not remitted to OWSRC, the loans become interest bearing at an interest rate to be determined by OWSRC. Several of these loans were used for purposes outside the loan and were required to submit monies to OWSRC.

**OWDA Loans**

OWDA loans consist of monies owed to the Ohio Water Development Authority for various water and sewer projects. OWDA loans are payable solely from special assessments and the gross revenues of the enterprise funds. As of December 31, 2011, certain OWDA loans were not finalized and, therefore, are not included in the schedule of future annual debt service requirements presented below.

The County has pledged future water and sewer revenues to repay OWDA loans. The loans are payable solely from water and sewer fund revenues and are payable through 2034. Annual principal and interest payments on the loans are expected to require 87.75 percent of net revenues and 32.78 percent of total revenues. The total principal and interest remaining to be paid on the loans is \$33,698,811. Principal and interest paid for the current year were \$2,412,761, total net revenues were \$2,749,725 and total revenues were \$7,361,033.

**OPWC Loans**

OPWC loans consist of monies owed to the Ohio Public Works Commission for various water and sewer projects. OPWC loans are payable solely from the gross revenues of the enterprise funds.

**OEPA Loan**

The OEPA loan consists of monies owed to the Ohio Environmental Protection Agency (OEPA) for the Regional Water Project. The OEPA loan is payable from revenues from the Regional Water enterprise fund.

**Legal Debt Margins**

The Ohio Revised Code provides that net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors, should not exceed 1 percent of the total assessed valuation of the County. The Ohio Revised Code further provides that the total voted and unvoted net debt of the County, less the same exempt debt, should not exceed a sum equal to 3 percent of the first \$100,000,000 of assessed valuation, plus 1.5 percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus 2.5 percent of such valuation in excess of \$300,000,000.



**OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)**

The assessed valuation used in determining the County's legal debt margins has been modified by House Bill 530, which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the County's legal debt margin calculations excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations.

The effects of these debt limitations at December 31, 2011 are a legal voted debt margin of \$34,847,134 (including available funds of \$1,691,424) and a legal unvoted debt margin of \$16,527,484.

The following is a summary of the County's future annual debt service requirements for governmental activities:

Year Ended	General Obligation Bonds		Special Assessment Bonds	
	Principal	Interest	Principal	Interest
2012	\$ 555,000	\$ 287,395	\$ 13,900	\$ 1,354
2013	568,000	268,703	5,600	760
2014	485,000	248,968	5,700	509
2015	515,000	226,017	5,600	252
2016	470,000	201,618		
2017 - 2021	2,025,000	693,740		
2022 - 2026	1,855,000	284,185		
2027	190,000	8,075		
<b>Total</b>	<b>\$ 6,663,000</b>	<b>\$ 2,218,701</b>	<b>\$ 30,800</b>	<b>\$ 2,875</b>

Year Ended	OWDA Loans		OPWC Loans	
	Principal	Interest	Principal	Interest
2012	\$ 955,773	\$ 373,469	\$ 34,650	
2013	994,768	334,475	34,652	
2014	1,035,356	293,886	34,650	
2015	1,077,606	251,636	34,652	
2016	1,121,583	207,659	34,650	
2017 - 2021	4,294,486	353,858	173,257	
2022 - 2026			173,255	
2027 - 2029			63,438	
<b>Total</b>	<b>\$ 9,479,572</b>	<b>\$ 1,814,983</b>	<b>\$ 583,204</b>	

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

**OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)**

Year Ended	General Obligation Bonds		Special Assessment Bonds	
	Principal	Interest	Principal	Interest
2012	\$ 1,299,000	\$ 454,101	\$ 17,000	\$ 15,803
2013	1,292,000	413,868	18,000	14,994
2014	1,345,000	372,994	19,000	14,137
2015	420,000	321,621	20,000	13,233
2016	435,000	308,144	21,000	12,281
2017 - 2021	1,715,000	1,343,608	120,000	45,458
2022 - 2026	2,115,000	972,277	116,000	14,233
2027 - 2031	2,600,000	453,210		
2032 - 2034	315,000	31,200		
<b>Total</b>	<b>\$ 11,536,000</b>	<b>\$ 4,671,023</b>	<b>\$ 331,000</b>	<b>\$ 130,139</b>

Year Ended	OWDA Loans		OPWC Loans		OEPA Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 1,688,334	\$ 724,427	\$ 104,304	\$ 3,200	\$ 172,702	\$ 67,116
2013	1,730,445	683,314	88,321	1,396	179,714	60,103
2014	1,773,733	639,028	71,340	593	187,012	52,806
2015	1,818,226	594,534	64,764	120	194,605	45,213
2016	1,863,971	548,789	59,416	-	202,507	37,311
2017 - 2021	9,699,666	2,029,657	277,801	-	775,751	63,611
2022 - 2026	7,051,017	796,118	209,673	-	-	-
2027 - 2031	1,208,044	246,628	57,225	-	-	-
2032 - 2034	558,019	44,861	-	-	-	-
<b>Total</b>	<b>\$ 27,391,455</b>	<b>\$ 6,307,356</b>	<b>\$ 932,844</b>	<b>\$ 5,309</b>	<b>\$ 1,712,291</b>	<b>\$ 326,160</b>

**Industrial Revenue Bonds**

The County has issued industrial revenue bonds for the following organizations:

	Amount of Issuance	Amount Outstanding at 12/31/11
Luther Home of Mercy	\$ 5,200,000	\$ 2,890,000
Otterbein Home	85,565,000	40,785,000
Ottawa Residential Services	4,043,000	3,325,944
Magruder Hospital	6,700,000	3,145,000

The County is not obligated in any way to pay debt and related charges on industrial revenue bonds from any of its funds, and therefore, they have been excluded entirely from the County's debt presentation. There has not been, and there is not currently, any condition of default under the bonds or the related financing documents.

**OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**NOTE 9 - CAPITAL LEASES**

The County has entered into capitalized leases for equipment. Each lease meets the criteria of a capital lease as defined by accounting principles generally accepted in the United States, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balance for the governmental funds.

Principal payments in 2011 were \$2,720 for governmental funds.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2011.

<u>Year Ended</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 2,202	\$ 585
2013	2,385	402
2014	2,583	204
2015	1,139	23
Total	<u>\$ 8,309</u>	<u>\$ 1,214</u>

**NOTE 10 - RISK MANAGEMENT**

**A. General Insurance**

The County is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2011, the County contracted with County Risk Sharing Authority (CORSA) for liability, property and crime insurance. The CORSA program has a \$2,500 deductible. Coverages provided by CORSA are as follows:

<u>Type of Coverage</u>	<u>Amount</u>
General Liability	\$ 1,000,000
Excess Liability	10,000,000
Law Enforcement Professional Liability	1,000,000
Automobile Liability and Physical Damage:	
Liability	1,000,000
Uninsured Motorist	250,000
Public Officials Errors and Omissions	1,000,000
Ohio Stop Gap (Additional Workers' Compensation Coverage)	1,000,000
Building and Contents	165,332,375
Other Property Insurance:	
Extra Expense	1,000,000
Contractors Equipment	1,607,668
Valuable Papers and Records	1,000,000
Miscellaneous Floaters	1,089,432
Automobile Physical Damage	Actual cash value
Flow and Earthquake	100,000,000
Comprehensive Boiler and Machinery	100,000,000
Crime	1,000,000

**OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**NOTE 10 - RISK MANAGEMENT - (Continued)**

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

**B. Workers Compensation**

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

**C. Medical Insurance**

The County manages health, vision, dental, and drug card insurance for its employees on a self insured basis. A third party administrator processes the claims, which the County pays. The Self Insurance internal service fund allocates the cost of providing claims servicing and claims payments by charging a monthly premium to each individual enrolled in the health insurance program. These premiums, along with the premium the County pays for each employee enrolled in the program, are paid into the Self Insurance internal service fund. Claims and services are paid from the Self Insurance internal service fund.

Under the health insurance program, the Self Insurance internal service fund provides coverage for a maximum annual benefit of \$1,000,000 per individual. The County purchased commercial insurance for claims in excess of coverage provided by the Self Insurance internal service fund. Settled claims have not exceeded this commercial coverage in the past three years.

All funds of the County participate in the program and make payments to the Self Insurance internal service fund based on actuarial estimates of the amounts needed to pay prior and current-year claims. Claims payments for the year ended December 31, 2011 were \$4,726,518.

The changes in the cash balance of the Self Insurance internal service fund for 2011 and 2010 were:

Year	Beginning Balance	Receipts	Disbursements	Ending Balance
2011	\$ 812,316	\$ 5,741,427	\$ (5,383,985)	\$ 1,169,758
2010	1,145,077	4,368,505	(4,701,266)	812,316

**OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**NOTE 11 - PENSION PLANS**

**Ohio Public Employees Retirement System**

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

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

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2011, member and contribution rates were consistent across all three plans. While members in the State and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Plan. The 2011 member contribution rates were 10.00% for members in State and local classifications. Public safety and law enforcement members contributed 11.00% and 11.60%, respectively. The County's contribution rate for 2011 was 14.00%, except for those plan members in law enforcement or public safety, for whom the County's contribution was 18.10% of covered payroll.

The County's contribution rate for pension benefits for members in the Traditional Plan for 2011 was 10.00%. The County's contribution rate for pension benefits for members in the Combined Plan for 2010 was 7.95%. For those plan members in law enforcement and public safety pension contributions were 14.10%. The County's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2011, 2010, and 2009 were \$2,046,768, \$1,864,340, and \$1,488,690, respectively; 87.18% has been contributed for 2011 and 100% has been contributed for 2010 and 2009. Contributions to the member-directed plan for 2011 were \$75,998 made by the County and \$54,285 made by the plan members.

OTTAWA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)

NOTE 12 - POSTRETIREMENT BENEFIT PLANS

**Ohio Public Employees Retirement**

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

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

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2011, local government employers contributed 14.00% of covered payroll (18.10% for public safety and law enforcement). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan for 2011 was 4.00%. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan for 2011 was 6.05%.

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

The County's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2011, 2010, and 2009 were \$821,338, \$1,005,929, and \$1,076,437, respectively; 87.18% has been contributed for 2011 and 100% has been contributed for 2010 and 2009.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

**OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**NOTE 13 - BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

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

- (a) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund cash balance for that portion of outstanding encumbrances (cash basis); and
- (b) Some funds are included in the general fund (cash basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the net change in fund cash balance for the year on the budget basis to the cash basis for the general fund and major special revenue funds are as follows:

	<b>Net Change in Fund Balances</b>			
	<u>Governmental Funds</u>			
	<u>General</u>	<u>Road and Bridge</u>	<u>Job and Family Services</u>	<u>Board of Developmental Disabilities</u>
Budget basis	\$ 352,207	\$ (66,926)	\$ 591,838	\$ (139,367)
Net adjustment for cash in segregated accounts	(11,777)			(4,405)
Net adjustment for funds budgeted elsewhere	(137,132)			
Encumbrances (budget-basis)	<u>283,755</u>	<u>70,583</u>	<u>21,063</u>	<u>438,646</u>
Cash basis	<u>\$ 487,053</u>	<u>\$ 3,657</u>	<u>\$ 612,901</u>	<u>\$ 294,874</u>

**NOTE 14 - CONTINGENCIES**

**A. Grants**

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

OTTAWA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)

NOTE 14 – CONTINGENCIES – (Continued)

B. Litigation

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

NOTE 15 - OTHER COMMITMENTS

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

<u>Fund</u>	<u>Year - End Encumbrances</u>
General	\$ 324,979
Road and bridge	70,583
Job and family services	21,063
Boar of developmental disabilities	438,646
Other governmental	<u>1,982,146</u>
Total	<u>\$ 2,837,417</u>

NOTE 16 - FUND BALANCE

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



**OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**NOTE 16 - FUND BALANCE – (Continued)**

Fund balance	General	Road and Bridge	Job and Family Services	Board of DD	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:						
Unclaimed monies	\$ 89,184					\$ 89,184
<b>Total nonspendable</b>	<b>89,184</b>					<b>89,184</b>
Restricted:						
Capital projects					\$74,471	74,471
Debt service					36,605	36,605
Public safety programs					1,246,139	1,246,139
Public works project		\$3,100,148			278,777	3,378,925
Health services					737,654	737,654
Human services programs			\$788,716	\$7,857,245	184,844	8,830,805
Economic development					1,352	1,352
Other purposes					2,662,069	2,662,069
<b>Total restricted</b>		<b>3,100,148</b>	<b>788,716</b>	<b>7,857,245</b>	<b>5,221,911</b>	<b>16,968,020</b>
Committed:						
Capital projects					1,612,584	1,612,584
Debt service					1,654,819	1,654,819
Public safety programs					8,298	8,298
<b>Total committed</b>					<b>3,275,701</b>	<b>3,275,701</b>
Assigned:						
Public safety programs	282,974					282,974
Other purposes	97,076					97,076
<b>Total assigned</b>	<b>380,050</b>					<b>380,050</b>
Unassigned	3,575,259					3,575,259
<b>Total fund balances</b>	<b>\$ 4,044,493</b>	<b>\$ 3,100,148</b>	<b>\$ 788,716</b>	<b>\$ 7,857,245</b>	<b>\$ 8,497,612</b>	<b>\$ 24,288,214</b>

**This page intentionally left blank.**

OTTAWA COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2011

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<b>UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
<b><i>Passed Through Ohio Department of Development</i></b>			
Community Development Block Grants	B-F-09-1CE-1	14.228	\$ 30,521
	B-C-09-1CE-1		81,868
	B-F-10-1CE-1		157,516
Community Development Block Grants - Revolving Loans	N/A		550
Total - Community Development Block Grants			<u>270,455</u>
Home Investment Partnerships Program	B-C-09-1CE-2	14.239	246,366
Home Revolving Loan - Housing Program	N/A		33,829
Total - Home Investment Partnerships Program			<u>280,195</u>
<b>Total - Department of Housing and Urban Development</b>			<b><u>550,650</u></b>
<b>UNITED STATES ENVIRONMENTAL PROTECTION AGENCY</b>			
<b>Direct Assistance</b>			
ARRA - Brownfield Assessment and Cleanup Cooperative Agreement	N/A	66.818	<u>115,663</u>
<b>UNITED STATES DEPARTMENT OF JUSTICE</b>			
<b><i>Passed Through Ohio Attorney General's Office</i></b>			
Crime Victim Assistance	2011-VAGene248	16.575	27,283
	2012-VAGene248		8,325
Total - Crime Victim Assistance			<u>35,608</u>
<b><i>Passed Through Drug Task Force - Erie County</i></b>			
Edward Byrne Memorial Justice Assistance Grant Program	2010-JG-A01-6718	16.738	<u>47,131</u>
<b>Total - Department of Justice</b>			<b><u>82,739</u></b>
<b>UNITED STATES DEPARTMENT OF TRANSPORTATION</b>			
<b><i>Passed Through Ohio Department of Transportation</i></b>			
ARRA - Billman Road Bridge Project	86328	20.205	272,763
Benton-Carroll Road Bridge Replacement	86758		489,014
LPA Bridge Load Rating Agreement	87270		110,203
Total - Highway Planning and Construction			<u>871,980</u>
Formula Grants for Other Than Urbanized Areas			
Rural Transit	RPT-4062-029-111	20.509	887,718
Capital Equipment	RPT-0062-031-112		4,590
Capital Maintenance	RPT-0062-031-112		214,395
ARRA - Rural Transit - Software	RPTS-0062-003-095		14,125
ARRA - Rural Transit - A & E Design	RPTS-0062-003-095		66,635
Total - Formual Grants for Other Than Urbanized Areas			<u>1,187,463</u>
<b><i>Passed Through Ohio Department of Public Safety</i></b>			
State and Community Highway Safety - HVEO	2011-551	20.600	<u>24,471</u>
<b>Total - Department of Transportation</b>			<b><u>2,083,914</u></b>
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>			
<b><i>Passed Through Ohio Department of Job and Family Services</i></b>			
<b><u>Supplemental Nutrition Assistance Cluster</u></b>			
FAET	N/A	10.561	10,328
Food Assistance Refunds	N/A	10.561	9,893
Food Assistance	N/A	10.561	62,134
<b>Total - Department of Agriculture</b>			<b><u>82,355</u></b>

(Continued)

OTTAWA COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<b>UNITED STATES DEPARTMENT OF LABOR</b>			
<b><i>Passed Through Workforce Investment Act, Area 7</i></b>			
<u>Workforce Investment Act (WIA) Cluster:</u>			
Workforce Investment Act - Adult Program (SFY 11)	N/A	17.258	17,194
Workforce Investment Act - Adult - Administrative (SFY 11)			714
Workforce Investment Act - Adult Program (SFY 12)			57,720
Workforce Investment Act - Adult - Administrative (SFY 12)			8,634
ARRA - Workforce Investment Act - Ohio Learning			5,767
One Stop System Enhancement			4,685
ARRA - Special Project			66,450
Total - Workforce Investment Act - Adult			161,164
Workforce Investment Act - Youth Program (SFY 11)	N/A	17.259	184,489
Workforce Investment Act - Youth Program (SFY 11)			75
Total - Workforce Investment Act - Youth			184,564
Workforce Investment Act - Dislocated Worker (SFY 11)	N/A	17.260	29,455
Workforce Investment Act - Dislocated Worker (SFY 11) - Admin			901
Rapid Response			39,536
ARRA - Rapid Response Stimulus			84,398
Total - Workforce Investment Act - Dislocated Worker			154,290
Workforce Investment Act - Dislocated Worker (SFY 12)	N/A	17.278	110,343
Workforce Investment Act - Dislocated - Administrative (SFY 12)			1,903
Total - Workforce Investment Act - Dislocated Worker			112,246
<b>Total - Department of Labor</b>			<b>612,264</b>
<b>UNITED STATES DEPARTMENT OF HOMELAND SECURITY</b>			
<b><i>Passed Through Ohio Department of Public Safety/ Emergency Management Agency</i></b>			
Buffer Zone Protection Program	MOU	97.078	10,186
FY08 State Homeland Security Program	E130	97.067	84,425
FY09 State Homeland Security Program	DPSFE 146	97.067	6,759
FY09 Citizens Corps Program Grant Local Award	DPSFE 145	97.067	1,600
FY10 Homeland Security Grant Program	DPSFE 158	97.067	57,440
Total - State Homeland Security Program			150,224
FY10 Emergency Management Performance Grants	DPSFE150	97.042	48,434
<b>Total - Department of Homeland Security</b>			<b>208,844</b>
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>			
<b><i>Passed Through Ohio Department of Education</i></b>			
Special Education - Grants for Infants and Families (HMG)	N/A	84.181	<b>47,035</b>
<b>UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<b><i>Passed Through Ohio Department of Job and Family Services</i></b>			
Caseworker Visits	N/A	93.556	1,892
Caseworker Visits - Admin	N/A	93.556	142
ESSA Preservation	N/A	93.556	2,891
ESSA Preservation Operating	N/A	93.556	6,711
ESSA Reunification	N/A	93.556	11,608
Family Reunification Operating	N/A	93.556	5,882
Total - Promoting Safe and Stable Families			29,126

(Continued)

OTTAWA COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
Temporary Assistance for Needy Families - ADC Collections	N/A	93.558	(2,685)
Temporary Assistance for Needy Families - Administration	N/A	93.558	345,465
Temporary Assistance for Needy Families - Regular	N/A	93.558	240,164
Total - Temporary Assistance for Needy Families			<u>582,944</u>
Federal Child Support Enforcement	N/A	93.563	327,494
<u>Child Care Cluster</u>			
Child Care Administrative	N/A	93.575	8,414
Quality Child Care	N/A	93.575	1,292
Total - Child Care			<u>9,706</u>
Child Care Administrative	N/A	93.596	9,539
Child Care Non-Administrative	N/A	93.596	19,771
Total - Child Care CCDF			<u>29,310</u>
Total - Child Care Cluster			<u>39,016</u>
IV-B Administration	N/A	93.645	4,916
IV-B Child Welfare Services	N/A	93.645	49,718
Total - IV-B Child Welfare Services			<u>54,634</u>
IV-E Juvenile Court	N/A	93.658	7,073
IV-E FCM			458,805
IV-E Administrative and Training			36,602
Total - Foster Care			<u>502,480</u>
Administrative and Training - Adoption Assistance	N/A	93.659	9,726
Social Services Block Grant - Title XX Base	N/A	93.667	141,336
Social Services Block Grant - TANF Transfer	N/A	93.667	152,586
Total - Social Service Block Grant			<u>293,922</u>
Voting Access for Individuals with Disabilities - Grants to States	N/A	93.617	1,670
SCHIP	N/A	93.767	11,120
Medical Assistance Program			
Medicaid	N/A	93.778	164,154
Medicaid Refunds/Collections	N/A	93.778	(21,187)
Medicaid NET (Transportation)	N/A	93.778	80,395
Total - Medical Assistance Program			<u>223,362</u>
Total Passed Through Ohio Job and Family Services			<u>2,075,494</u>

(Continued)

OTTAWA COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<b><i>Passed Through Ohio Department of Developmental Disabilities</i></b>			
Social Services Block Grant	N/A	93.667	47,399
Medical Assistance Program			
MAC	N/A	93.778	196,937
Targeted Case Management - EFMAP	N/A	93.778	13,195
Transportation - EFMAP	N/A	93.778	2,560
Day HAB EFMAP	N/A	93.778	23,009
Total - Medical Assistance Program			<u>235,701</u>
Total Passed Through Ohio Developmental Disabilities			<u>283,100</u>
Total All Social Services Block Grant - CFDA # 93.667			341,321
Total All Medical Assistance Programs - CFDA # 93.778			<u>459,063</u>
<b>Total - Department of Health and Human Services</b>			<b><u>2,358,594</u></b>
<b>TOTAL FEDERAL AWARDS EXPENDITURES</b>			<b><u><u>\$6,142,058</u></u></b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE.

**OTTAWA COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - SUBRECIPIENTS**

The County passes certain federal awards received from Workforce Investment Act, Area 7, to other governments or not-for-profit agencies (subrecipients). As Note A describes, the County reports expenditures of Federal awards to subrecipients when paid in cash. Of the Federal expenditures presented in the schedule, the County provided Federal awards to subrecipients as follows:

<b>Program Title</b>	<b>Federal CFDA Numbers</b>	<b>Amount Provided to Subrecipients</b>
Workforce Investment Act (WIA) Cluster	17.258, 17.259, 17.260, 17.278	\$282,188

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

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

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

These loans are collateralized by mortgages on the property, business assets including equipment, inventory and receivables, and personal assets.

Activity in the CDBG revolving loan fund during 2011 is as follows:

Beginning loans receivable balance as of January 1, 2011	\$902,379	
Loans made		
Loan principal repaid	97,430	
Ending loans receivable balance as of December 31, 2011	<u>\$804,949</u>	
Cash balance on hand in the revolving loan fund as of December 31, 2011	\$200,323	
Administrative costs expended during 2011	\$ 550	

**NOTE D - HOME REVOLVING LOAN PROGRAM**

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

These loans are collateralized by mortgages on the property. The County made new loans under this program in 2011 in the amount of \$32,411. The administrative expenditures under this program in 2011 were \$1,418 and cash balance on hand in the revolving loan fund as of December 31, 2011 was \$30,088. At December 31, 2011, the gross amount of loans outstanding under this program was \$876,660.

**NOTE E - MATCHING REQUIREMENTS**

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

**NOTE F - TRANSFERS BETWEEN FEDERAL PROGRAMS**

During fiscal year 2011, the County made allowable transfers of \$152,586 from the Temporary Assistance for Needy Families (TANF) (93.558) program to the Social Services Block Grant (SSBG) (93.667) program. The Schedule shows the County spent approximately \$582,944 on the TANF program. The amount reported for the TANF program on the Schedule excludes the amount transferred to the SSBG program. The amount transferred to the SSBG program is included as SSBG expenditures when disbursed. The following table shows the gross amount drawn for the TANF program during fiscal year 2011 and the amount transferred to the Social Services Block Grant program.

Temporary Assistance for Needy Families	\$735,530
Transfer to Social Services Block Grant	<u>(152,586)</u>
<b>Total Temporary Assistance for Needy Families</b>	<b><u>\$582,944</u></b>

**NOTE G - DEPARTMENT OF DEVELOPMENTAL DISABILITIES MAC/WAC ADJUSTMENTS - Y2011**

During the calendar year, the County received a deferred payment from the Ohio Department of Developmental Disabilities (DODD) for the Medicaid program (CFDA # 93.778) in the amount of \$309,707. The deferred payment was for Medicaid Administrative Claiming (MAC) and Waiver Administrative Claiming (WAC) expenses the County incurred in prior reporting periods due to an increase of federal funding received by DODD to reimburse these expenses and also due to changes in the County's Medicaid Eligibility Rate (MER) for certain activity codes within MAC/WAC. This revenue is not listed on the County's Schedule of Federal Awards since the underlying expenses occurred in prior reporting periods.





# Dave Yost • Auditor of State

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

Ottawa County  
315 Madison Street, Suite 103  
Port Clinton, Ohio 43452-1943

To the Board of County Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Ottawa County, Ohio (the County), as of and for the year ended December 31, 2011, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 20, 2012, wherein, we noted the County uses a comprehensive accounting basis other than generally accepted accounting principles. We also noted the County implemented Government Accounting Standards Board Statement 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and discontinued reporting Riverview Industries, Inc. as a component unit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

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

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

### Compliance and Other Matters

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2011-001.

One Government Center, Suite 1420, Toledo, Ohio 43604-2246  
Phone: 419-245-2811 or 800-443-9276 Fax: 419-245-2484

[www.ohioauditor.gov](http://www.ohioauditor.gov)

We also noted certain matters not requiring inclusion in this report that we reported to the County's management in a separate letter dated September 20, 2012.

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

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

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

**Dave Yost**  
Auditor of State

September 20, 2012



# Dave Yost • 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

Ottawa County  
315 Madison Street, Suite 103  
Port Clinton, Ohio 43452-1943

To the Board of County Commissioners:

### Compliance

We have audited the compliance of Ottawa County, Ohio (the County), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the County's major federal programs for the year ended December 31, 2011. The *summary of auditor's results* section of the accompanying schedule of findings identifies the County's major federal programs. The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the County's compliance based on our audit.

Our compliance audit followed 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*. These 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 County's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with these requirements.

In our opinion Ottawa County complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with these requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings lists this instance as Finding 2011-003.

### Internal Control Over Compliance

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program 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 was not designed to 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. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency, described in the accompanying schedule of findings as item 2011-002. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

We also noted a matter involving federal compliance not requiring inclusion in this report, that we reported to the County's management in a separate letter dated September 20, 2012.

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



**Dave Yost**  
Auditor of State

September 20, 2012

**OTTAWA COUNTY**  
**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A -133 § .505**  
**DECEMBER 31, 2011**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	Yes
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Formula Grants for Other Than Urbanized Areas – CFDA # 20.509 Workforce Investment Act Cluster – CFDA # 17.258, 17.259, 17.260, and 17.278 Temporary Assistance for Needy Families (TANF) – CFDA # 93.558 Highway Planning and Construction – CFDA # 20.205
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

**FINDING NUMBER 2011-001**

**Noncompliance Finding**

**Ohio Revised Code, § 117.38**, provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.

**Ohio Administrative Code § 117-2-03(B)**, which further clarifies the requirements of Ohio Revised Code § 117.38, requires the County to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

For 2011, the County prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the cash basis of accounting. This presentation differs from accounting principles generally accepted in the United States of America (GAAP). There would be variances on the financial statements between the County's accounting practice and GAAP that, while presumably material, cannot be reasonably determined at this time. The County can be fined and various other administrative remedies may be taken against the County.

We recommend the County take the necessary steps to ensure the financial report is prepared in accordance with generally accepted accounting principles.

**Officials' Response:**

Management believes reporting on a basis of accounting other than generally accepted accounting principles (GAAP) is more cost efficient and does not present a higher risk for the County's assets and debt.

**3. FINDINGS FOR FEDERAL AWARDS**

**FINDING NUMBER 2011-002**

**Significant Deficiency**

**Preparation of the Schedule of Federal Awards Expenditures**

The County's Schedule of Federal Awards Expenditures contained the following deficiencies:

- Grant Expenditures were not accurately recorded or were omitted from the schedule;
- Code of Federal Domestic Assistance numbers were reported inaccurately or not reported;
- Project numbers, where applicable, were omitted;
- Various County Departments' failed to report any federal grant received on the County Auditor's work sheet provided.

Management was advised these deficiencies may result in the reporting of erroneous information on the Schedule occurring and going undetected.

**FINDING NUMBER 2011-002  
 (Continued)**

The County Auditor serves as fiscal agent for several departments within the County and is responsible for preparing the Schedule. The current process for obtaining information for the Schedule consists of the County Auditor sending grant work sheets to all County Elected Officials and department heads after year end requesting information for the preceding fiscal year. Also, the County Commissioners' have to sign off on many of the required grant applications and report filings for the County. This process limits the County Auditor's ability to monitor the completeness of the information received due to the following limitations:

- Where a department fails to respond, the presumption is the department had no activity to report;
- Information submitted by departments lacking identification of the CFDA number, grantor, project number, and pass through agency are not identified in a timely manner and may be result in excluding a program from the Schedule under the presumption funding was through a State grant;
- There is no procedure in place to determine the completeness of information received from departments; and
- County Commissioners' have not adopted any policies or procedures to assist in the obtaining the appropriate grant information to ensure all federal grant programs have been included on the County's schedule.

In order to ensure the Schedule is complete, we recommend the County Commissioners' adopt policies and procedures to assist in obtaining all appropriate grant information for all federal grants awarded to the County and coordinate efforts with the County Auditor to ensure all awards and expenditures have been included on the schedule. The notification should include the CFDA number, the grantor agency, pass through agency (if any), project number, and the grant award amount. Notification should be retained on file in the County Commissioners and County Auditor's offices. Grant work sheets should be distributed to all departments after year end and completed work sheets should be compared with the notifications on file to determine the accuracy and completeness of the work sheets submitted.

**Officials' Response:**

Management will establish policies and procedures to improve the reporting of Federal grant information to the County Auditor for the preparation of the County's Schedule of Federal Awards Expenditures.

<b>Finding Number</b>	2011-003
<b>CFDA Title and Number</b>	Formula Grants for Other Than Unbanized Areas – CFDA 20.509
<b>Federal Award Year</b>	2011
<b>Federal Agency</b>	United States Department of Transportation
<b>Pass-Through Agency</b>	Ohio Department of Transportation

**49 CFR Section 18.32(d)(1)** requires grantees to maintain property records that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition date including the date of disposal and sale price of the property. **49 CFR Section 18.32(d)(2)** state a physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.

**FINDING NUMBER 2011-003  
(Continued)**

We noted 57% of 2010 and 100% of 2011 Federal equipment purchases could not be located on a property record maintained by the Ottawa County Transportation Agency, nor does the Agency have a written policy governing the procedures for handling Equipment and Real Property records. We further noted the Ottawa County Transportation Agency had not completed a physical inventory of the property and reconciled this with the property records in either 2010 or 2011.

Management was advised the failure to maintain an accurate inventory record and complete a physical inventory of Federal equipment purchases could result in the misappropriation of assets to go undetected.

We recommend the Ottawa County Transportation Agency create an up-to-date listing of all equipment purchased with federal and non-federal monies on an annual basis and complete a physical inventory of the property at least once every two years. We further recommend the Ottawa County Transportation Agency adopt formal written policy with procedures for handling Equipment and Real Property purchases, to at least include serial numbers, date of acquisition, costs, disposition dates and values received, and any additional information.

**Officials' Response:**

The Ottawa County Transportation Agency created an up-to-date listing of equipment on June 27, 2012 and created a formal written policy with procedures for handling Equipment and Real Property purchases on May 16, 2012.



**OTTAWA COUNTY**  
**CORRECTIVE ACTION PLAN**  
**OMB CIRCULAR A -133 § .315 (c)**  
**DECEMBER 31, 2011**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2011-002	Elected Officials and Appointed Department Heads are currently establishing procedures and guidelines to improve the report of Federal grant information to the County Auditor for the preparation of the County's Schedule of Federal Awards Expenditures.	12/31/12	Steve Arndt, County Commissioner and JoEllen Regal County Auditor
2011-003	Management of the Ottawa County Transportation Agency are establishing guidelines for a written Equipment and Real Property inventory policy and ensuring all equipment purchases have been appropriately tagged and entered on the inventory list.	06/27/12	Bill Lowe, Executive Director, Ottawa County Transportation Agency

**This page intentionally left blank.**

OTTAWA COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
 OMB CIRCULAR A -133 § .315 (b)  
 DECEMBER 31, 2011

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>
2010-001	<b>OAC §117-2-3(B)</b> reporting on basis other than generally accepted accounting principles.	No	Repeated as finding number 2011-001 in this report.
2010-002	<b>49 CFR Section 18.32(d)(1)</b> federal equipment purchases not included in inventory record.	No	Repeated as finding number 2011-003 in this report.
2010-003	<b>45 CFR 92.20(3)</b> lack of approved application or approval after the distribution of benefits.	No	Partially corrected reducing this to a Management Letter comment.

**This page intentionally left blank.**



# Dave Yost • Auditor of State

## OTTAWA COUNTY FINANCIAL CONDITION

### OTTAWA COUNTY

#### CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
OCTOBER 9, 2012