



Dave Yost • Auditor of State

VILLAGE OF OTTAWA HILLS
LUCAS COUNTY

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Ottawa Hills
Lucas County
2125 Richards Road
Ottawa Hills, Ohio 43606

To the Honorable Mayor and Village Council:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Ottawa Hills, Lucas County, Ohio (the Village), as of and for the year ended December 31, 2011, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Government'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.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Ottawa Hills, Lucas County, Ohio, as of December 31, 2011 and the respective changes in cash financial position, thereof and the budgetary comparison for the General fund thereof for the year then ended in conformity with the accounting basis Note 2C describes.

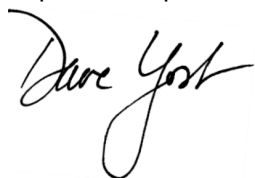
As described in Note 3, during 2011 the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2013, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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We conducted our audit to opine on the Village's financial statements taken as a whole. Management's Discussion and Analysis includes tables of net assets, changes in net assets, and governmental activities. These tables provide additional information, but are not part of the basic financial statements. However these tables 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 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.

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

January 14, 2013

**Village of Ottawa Hills, Lucas County
Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited**

This discussion and analysis of the Village of Ottawa Hills's financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2011, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2011 are as follows:

- In 2011 the Village made a significant change in operations related to fire services. A contract was established with the City of Toledo to provide fire protection and emergency medical services for the Village. The initial term of the contract covers the years 2011 through 2030. As of January 21, 2011 the Village full time firefighters were hired by the City of Toledo and the Village ceased operating its fire department. Toledo firefighters staff the fire station at the Village municipal building and provide more equipment and manpower than previously available. Evaluations of the service level have been excellent. The contract is expected to save the Village over \$400,000 per year in operating costs.
- Net assets of governmental activities were increased by \$182,534 or 1.5 percent over the prior year. This increase in net assets was due to higher income tax collections and expenditures coming in below budget.
- The Village's general receipts are primarily income, estate and property taxes. These receipts represent 65.0, 4.4 and 10.6 percent respectively of the total cash received for governmental activities during the year. Income tax receipts increased by \$695,187 or 24.5 percent versus 2010; 2010 receipts included some unusual transactions. 2010 estate tax revenues decreased by \$397,863 or 62.4% versus 2010. Property taxes decreased by \$7,146 or 1.2% versus 2010.
- The Village's efforts to control operating costs combined with stronger income tax receipts allowed the Village to achieve an operating surplus for 2011.

Using the Basic Financial Statements

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

For 2011 the Village implemented Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". For further information regarding this change, refer to Note 3 to the basic financial statements.

Report Components

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

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

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

**Village of Ottawa Hills, Lucas County
Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited**

Basis of Accounting

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

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

Reporting the Village as a Whole

The statement of net assets and the statement of activities reflect how the Village did financially during 2011, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Village at year end. The Village has no business-type activities. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Village's general receipts.

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

In the statement of net assets and the statement of activities, all of the Village transactions are categorized as Governmental activities:

Governmental activities - Basic government services, including police, fire, streets and parks are reported here. Income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Village's Most Significant Funds

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

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

**Village of Ottawa Hills, Lucas County
Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited**

The Village's major governmental funds are the General Fund, Capital Projects Fund, Capital Grants Fund, Capital Financed Fund, and the Capital Reserve Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

The Village as a Whole

Table 1 provides a summary of the Village's net assets for 2011 compared to 2010 on a cash basis.

(Table 1)

Net Assets

	Governmental Activities	
	2011	2010
Assets		
Cash and Cash Equivalents	\$12,679,620	\$12,497,086
Net Assets		
Restricted for:		
Capital Projects	4,023,255	4,063,249
Other Purposes	1,924,312	1,676,402
Unrestricted	6,732,053	6,757,435
Total Net Assets	\$12,679,620	\$12,497,086

As mentioned previously, net assets of governmental activities increased \$182,534, or 1.5 percent during 2011.

**Village of Ottawa Hills, Lucas County
Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited**

Table 2 reflects the changes in net assets for the year ended December 31, 2011 compared to 2010.

(Table 2)
Changes in Net Assets

	Governmental Activities		
	2011	2010	Change
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$244,744	\$269,994	(\$25,250)
Operating Grants and Contributions	279,804	258,586	21,218
Capital Grants and Contributions	42,042	257,980	(215,938)
Total Program Receipts	<u>566,590</u>	<u>786,560</u>	<u>(219,970)</u>
General Receipts:			
Property and Other Local Taxes	574,361	581,507	(7,146)
Income Taxes	3,537,917	2,842,730	695,187
Other Taxes	44,966	40,249	4,717
Grants and Entitlements Not Restricted to Specific Programs	495,528	896,755	(401,227)
Notes Issued			
Premium on Debt Issue			
Interest	177,734	221,632	(43,898)
Miscellaneous	46,962	39,909	7,053
Total General Receipts	<u>4,877,468</u>	<u>4,622,782</u>	<u>254,686</u>
Total Receipts	<u>5,444,058</u>	<u>5,409,342</u>	<u>34,716</u>
Disbursements:			
General Government	\$828,245	\$834,875	(6,630)
Security of Persons and Property:	2,308,787	2,667,391	(358,604)
Public Health Services	36,479	39,651	(3,172)
Leisure Time Activities	446,155	380,428	65,727
Basic Utilities	492,305	477,084	15,221
Transportation	487,517	418,886	68,631
Capital Outlay	216,076	793,956	(577,880)
Principal Retirement	269,960	269,960	
Interest and Fiscal Charges	176,000	184,000	(8,000)
Total Disbursements	<u>5,261,524</u>	<u>6,066,231</u>	<u>(804,707)</u>
Change in Net Assets	182,534	(656,889)	839,423
Net Assets Beginning of Year	12,497,086	13,153,975	(656,889)
Net Assets End of Year	<u>\$12,679,620</u>	<u>\$12,497,086</u>	<u>\$182,534</u>

General program receipts represent only 10.4 percent of total receipts in 2011 and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, recreation program fees and federal and state grants.

**Village of Ottawa Hills, Lucas County
Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited**

General receipts represent 89.6 percent of the Village's total receipts for 2011, and, of this amount, 84.3 percent are local income and property taxes. State and federal grants and entitlements and interest make up the balance of the Village's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of Council, and the manager, finance, and income tax departments, as well as internal services such as payroll and purchasing.

Security of Persons and Property are the costs for full-time police, contracted fire services, and other related security expenses. Public Health Services is the cost for the county health department; Leisure Time Activities are the costs of maintaining the parks and the recreation program; Basic Utility Services include refuse, recycling and sewer expenses; and Transportation is the operating cost of maintaining the roads. Capital outlay includes expenditures for road reconstruction projects. Debt Service in 2011 reflects principal and interest expense on 5-year notes and principal payments on no-interest road construction loans from the state.

Governmental Activities

On the Statement of Activities, the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for security of persons and property, general government and capital outlay, which account for 43.9, 15.7 and 4.1 percent of all governmental disbursements, respectively. The next three columns of the Statement, entitled Program Cash Receipts, identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

	Governmental Activities			
	Total Cost Of Services	Net Cost of Services	Total Cost Of Services	Net Cost of Services
	2011	2011	2010	2010
General Government	\$828,245	\$809,759	\$834,875	\$816,899
Security of Persons and Property	2,308,787	2,172,009	2,667,391	2,492,108
Public Health Services	36,479	36,479	39,651	39,651
Leisure Time Activities	446,155	287,918	380,428	248,482
Basic Utilities	492,305	465,655	477,084	454,189
Transportation	487,517	303,120	418,886	235,183
Capital Outlay	216,076	174,034	793,956	539,199
Principal Retirement	269,960	269,960	269,960	269,960
Interest and Fiscal Charges	176,000	176,000	184,000	184,000
Total Expenses	\$5,261,524	\$4,694,934	\$6,066,231	\$5,279,671

The dependence upon property and income tax receipts is apparent as over 89.2 percent of governmental activities, excluding principal retirement, are supported through general receipts in 2011.

**Village of Ottawa Hills, Lucas County
Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited**

The Village's Funds

Total governmental funds had receipts of \$5,444,058 and disbursements of \$5,261,524. The General Fund balance decreased \$34,254. Before transfers the General Fund had an excess of receipts over disbursements of \$1,087,746. \$1,122,000 was transferred to support other funds. The Capital Projects Fund decreased by \$154,678 due to capital expenditures. The Capital Grants fund increased by \$110,684 because of transfers and capital spending that was lower than projected. The Capital Financed Fund balance increased \$4,000 due to transfers. The Capital Reserve Fund balance did not change.

General Fund Budgeting Highlights

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

During 2011, the Village amended its General Fund budget to reflect changing circumstances. Actual receipts exceeded final budgeted receipts by \$602,139 due to higher than expected income tax receipts.

Final disbursements in the General Fund were budgeted at \$5,839,842 while actual disbursements, including encumbrances at year end, were \$5,648,694, or 3.3 percent below budgeted amounts. 2011 encumbrances comprised assigned encumbrances of \$210,776 and committed encumbrances of \$1,482,026 for four years of the fire services contract.

Capital Assets and Debt Administration

Capital Assets

The Village does not currently reflect the value of its capital assets and infrastructure in the financial statements. The Village uses other methods, including inventories of equipment, roads and street trees to insure responsible management of municipal assets.

Debt

At December 31, 2011, the Village's outstanding debt included \$4,200,000 in 5-year general obligation notes issued for improvements to Village roads, and \$212,504 in 10-year, interest-free loans from the Ohio Public Works Commission, which were used for a variety of Village road projects. For further information regarding the Village's debt, refer to Note 10 to the basic financial statements.

Current Issues

The challenge for all local governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. Despite a difficult economic environment, the Village continues to be in a strong financial position. Ottawa Hills is almost completely residential and relies heavily on local taxes. Until the economy strengthens there will be pressure on all revenue sources. The Village Council is committed to a balanced operating budget and continues to review forecasting and take steps to reduce the cost of providing services.

On October 17, 2012 the Village entered into a settlement agreement with Michael McCloskey to resolve a 2009 lawsuit filed against the Village as the result of a police shooting incident. The settlement amount of \$5,000,000 was remitted in full by the Village's insurance company and was made in exchange for a full release of liability. The settlement did not materially adversely impact the Village's financial condition.

**Village of Ottawa Hills, Lucas County
Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited**

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Karen Urbanik, Finance Director, or Katherine O'Connell, Clerk/Treasurer, Village of Ottawa Hills, 2125 Richards Road, Ottawa Hills, Ohio 43606.

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Village of Ottawa Hills, Ohio
Lucas County
Statement of Net Assets - Cash Basis
December 31, 2011

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$12,679,620</u>
 Net Assets	
Restricted for:	
Capital Projects	\$4,023,255
Other Purposes	1,924,312
Unrestricted	<u>6,732,053</u>
 <i>Total Net Assets</i>	 <u><u>\$12,679,620</u></u>

See accompanying notes to the basic financial statements

Village of Ottawa Hills, Ohio
Lucas County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2011

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets	
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental Activities					
Current:					
Security of Persons and Property	\$2,308,787	\$49,977	\$86,801		(\$2,172,009)
Public Health Services	36,479				(36,479)
Leisure Time Activities	446,155	149,631	8,606		(287,918)
Basic Utility Services	492,305	26,650			(465,655)
Transportation	487,517		184,397		(303,120)
General Government	828,245	18,486			(809,759)
Capital Outlay	216,076			42,042	(174,034)
Debt Service:					
Principal Retirement	269,960				(269,960)
Interest and Fiscal Charges	176,000				(176,000)
Total	<u>\$5,261,524</u>	<u>\$244,744</u>	<u>\$279,804</u>	<u>\$42,042</u>	<u>(\$4,694,934)</u>

General Receipts:

Property Taxes Levied for:

General Purposes	490,361
Police Pension	42,000
Fire Pension	42,000
Income Taxes	3,537,917
Other Local Taxes	44,966
Grants and Entitlements not Restricted to Specific Prog	495,528
Earnings on Investments	177,734
Miscellaneous	46,962

Total General Receipts

4,877,468

Change in Net Assets

182,534

Net Assets Beginning of Year

12,497,086

Net Assets End of Year

\$12,679,620

See accompanying notes to the basic financial statements

Village of Ottawa Hills, Ohio
Lucas County
Statement of Cash basis Assets and Fund Balances
Governmental Funds
 December 31, 2011

	General	Capital Projects Fund	Capital Grants Fund	Capital Financed Fund	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
Assets							
Equity in Pooled Cash and Cash Equivalents	<u>\$6,825,802</u>	<u>\$285,120</u>	<u>\$1,158,607</u>	<u>\$110,528</u>	<u>\$2,469,000</u>	<u>\$1,830,563</u>	<u>\$12,679,620</u>
Fund Balances							
Nonspendable	942						942
Restricted			1,158,607			1,597,863	2,756,470
Committed	1,482,026	48,013				232,700	1,762,739
Assigned	210,776	237,107		110,528	2,469,000		3,027,411
Unassigned (Deficit)	<u>5,132,058</u>						<u>5,132,058</u>
<i>Total Fund Balances</i>	<u>\$6,825,802</u>	<u>\$285,120</u>	<u>\$1,158,607</u>	<u>\$110,528</u>	<u>\$2,469,000</u>	<u>\$1,830,563</u>	<u>\$12,679,620</u>

See accompanying notes to the basic financial statements

Village of Ottawa Hills, Ohio
Lucas County
Statement of Receipts, Disbursements and Changes Fund Balances - Cash Basis
Governmental Funds
For the Year Ended December 31, 2011

	General	Capital Projects Fund	Capital Grants Fund	Capital Financed Fund	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
Receipts							
Municipal Income Taxes	\$3,537,917						\$3,537,917
Property and Other Local Taxes	490,361					84,000	574,361
Intergovernmental	498,584		42,042			202,563	743,189
Special Assessments						62,471	62,471
Charges for Services	150,116						150,116
Fines, Licenses and Permits	63,452					2,234	65,686
Earnings on Investments	170,624					7,110	177,734
Miscellaneous	132,584						132,584
<i>Total Receipts</i>	<u>5,043,638</u>		<u>42,042</u>			<u>358,378</u>	<u>5,444,058</u>
Disbursements							
Current:							
Security of Persons and Property	1,898,818					409,969	2,308,787
Public Health Services	36,479						36,479
Leisure Time Activities	348,734					97,421	446,155
Basic Utility Services	492,305						492,305
Transportation	351,311					136,206	487,517
General Government	828,245						828,245
Capital Outlay		154,678	61,398				216,076
Debt Service:							
Principal Retirement			69,960	200,000			269,960
Interest and Fiscal Charges				176,000			176,000
<i>Total Disbursements</i>	<u>3,955,892</u>	<u>154,678</u>	<u>131,358</u>	<u>376,000</u>		<u>643,596</u>	<u>5,261,524</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,087,746</u>	<u>(154,678)</u>	<u>(89,316)</u>	<u>(376,000)</u>		<u>(285,218)</u>	<u>182,534</u>
Other Financing Sources (Uses)							
Transfers In			200,000	380,000		542,000	1,122,000
Transfers Out	(1,122,000)						(1,122,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,122,000)</u>		<u>200,000</u>	<u>380,000</u>		<u>542,000</u>	
<i>Net Change in Fund Balances</i>	(34,254)	(154,678)	110,684	4,000		256,782	182,534
<i>Fund Balances Beginning of Year</i>	<u>6,860,056</u>	<u>439,798</u>	<u>1,047,923</u>	<u>106,528</u>	<u>2,469,000</u>	<u>1,573,781</u>	<u>12,497,086</u>
<i>Fund Balances End of Year</i>	<u>\$6,825,802</u>	<u>\$285,120</u>	<u>\$1,158,607</u>	<u>\$110,528</u>	<u>\$2,469,000</u>	<u>\$1,830,563</u>	<u>\$12,679,620</u>

See accompanying notes to the basic financial statements

Village of Ottawa Hills, Ohio
Lucas County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2011

	<u>Budgeted Amounts</u>			(Optional)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Receipts				
Municipal Income Taxes	\$2,884,000	\$3,000,000	\$3,537,917	\$537,917
Property and Other Taxes	566,500	489,000	490,361	1,361
Intergovernmental	797,500	492,000	498,584	6,584
Charges for Services	130,000	135,000	150,116	15,116
Fines, Licenses and Permits	49,000	62,000	63,452	1,452
Earnings on Investments	200,000	150,000	170,624	20,624
Miscellaneous	93,900	113,500	132,585	19,085
<i>Total Receipts</i>	<u>4,720,900</u>	<u>4,441,500</u>	<u>5,043,639</u>	<u>602,139</u>
Disbursements				
Current:				
Security of Persons and Property	3,466,730	3,507,551	3,423,191	84,360
Public Health Services	35,000	36,500	36,479	21
Leisure Time Activities	374,417	382,417	371,525	10,892
Basic Utility Services	541,297	542,797	531,159	11,638
Transportation	375,058	400,058	364,976	35,082
General Government	945,519	970,519	921,364	49,155
<i>Total Disbursements</i>	<u>5,738,021</u>	<u>5,839,842</u>	<u>5,648,694</u>	<u>191,148</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(1,017,121)</u>	<u>(1,398,342)</u>	<u>(605,055)</u>	<u>793,287</u>
Other Financing Sources (Uses)				
Transfers Out	(1,100,000)	(1,122,000)	(1,122,000)	
<i>Net Change in Fund Balance</i>	(2,117,121)	(2,520,342)	(1,727,055)	793,287
<i>Unencumbered Fund Balance Beginning of Year (Restated)</i>	6,666,484	6,666,484	6,666,484	
Prior Year Encumbrances Appropriated	193,571	193,571	193,571	
<i>Unencumbered Fund Balance End of Year</i>	<u>\$4,742,934</u>	<u>\$4,339,713</u>	<u>\$5,133,000</u>	<u>\$793,287</u>

See accompanying notes to the basic financial statements

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**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

NOTE 1 – REPORTING ENTITY

The Village of Ottawa Hills, Lucas County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a six-member Council elected at large for four year terms. The Mayor is elected to a four-year term, serves as the President of Council and votes only to break a tie.

The reporting entity is comprised of the primary government. There are no component units or other organizations that are required to be included in the financial statements.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, maintenance of Village roads and bridges, park operations, and police and fire services.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the Village as a whole. The Village does not have any business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

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

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

Fund Financial Statements

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

B. Fund Accounting

The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The Village only has governmental funds.

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Village's major governmental funds are the General Fund, Capital Projects Fund, Capital Grants Fund, Capital Financed Fund and the Capital Reserve Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio. The Capital Projects Fund is used to account for capital expenditures that don't relate to grants or debt issuance. It is funded by transfers from the General Fund. The Capital Grants Fund accounts for construction projects involving grants from the State of Ohio. The grant funds are restricted to their particular project. Additional monies are transferred to this fund as needed from the General Fund.

The Capital Financed Fund was established to account for monies from the issuance of 5-year notes to be used for street lighting and other capital projects. The Capital Reserve Fund is set up with money that is set aside to show the intent of the Village to fund future capital projects over the next 5 years. The other governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose.

C. Basis of Accounting

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

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

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

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

D. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the certificate of estimated resources, and the appropriations ordinance, both of which are prepared on the budgetary basis of accounting. Lucas County no longer requires submission of a tax budget to the County Budget Commission. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund, department, and category level, i.e. personal services, operating and maintenance, and capital categories, 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 Village. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Village Council.

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

E. Cash and Investments

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

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

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

During 2011, the Village invested in U.S. Agency Instruments, money market funds, certificates of deposit through the CDARS program and STAR Ohio. The U.S. Agency Instruments and certificates of deposit are reported at cost. The Village's money market fund investments are recorded at the amount reported by each institution at December 31, 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 SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2011.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2011 was \$170,624 which includes \$77,037 assigned from other Village funds.

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation.

G. Inventory and Prepaid Items

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

H. Capital Assets

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

I. Accumulated Leave

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

J. Employer Contributions to Cost-Sharing Pension Plans

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

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

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

K. Long-Term Obligations

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

L. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include \$1,158,607 for Capital Grants, \$744,142 for Street Construction, \$73,518 for State Highway Improvement, \$61,052 for Law Enforcement, \$35,766 for Drug Enforcement, \$104,560 for Street Lights, \$152,344 for Shade Trees, \$99,618 for Police Pension, and \$326,862 for Firemen's Pension.

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

M. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village 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 category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually 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 interfund loans.

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

Enabling legislation authorizes the Village to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Village can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

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

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of Village Council. Those committed amounts cannot be used for any other purpose unless Village Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by Village Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. 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 Village for specific purposes but do not meet the criteria to be classified as restricted or 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 Village Council or a Village official delegated that authority by ordinance, or by State Statute.

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

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

N. Interfund Transactions

Interfund transfers are reported as other financing sources/uses in governmental funds.

NOTE 3 – CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF NET ASSETS/FUND EQUITY

For 2011, the Village implemented Governmental Accounting Standard Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement 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. The implementation of GASB Statement No. 54 had the following effect on fund balances of the major governmental funds and all other governmental funds as previously reported:

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

NOTE 3 – CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF NET ASSETS/FUND EQUITY – (CONTINUED)

	General	Capital Projects Fund	Capital Grants Fund	Capital Financed Func	Capital Reserve Fund	Other Governmental Funds	Total
Fund Balance at December 31, 2010	\$6,757,435	\$439,798	\$1,047,923	\$106,528	\$2,469,000	\$1,676,402	\$12,497,086
GASB 54 Change in in Fund Structure	102,621					(102,621)	
Adjusted Fund Balance at December 31, 2010	\$6,860,056	\$439,798	\$1,047,923	\$106,528	\$2,469,000	\$1,573,781	\$12,497,086

NOTE 4 – DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

The Village has adopted an investment policy which is more restrictive than provided for under the Uniform Depository Act, Ohio Revised Code Section 135. This policy has been filed with the State Auditor and annual training is completed as required. Interim monies held by the Village can be deposited or invested in the following securities according to this policy:

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

NOTE 4 – DEPOSITS AND INVESTMENTS - (CONTINUED)

It is the intention of the Village of Ottawa Hills to invest Village funds in a manner that:

1. Preserves principal
2. Insures security of funds
3. Maximizes return

To accomplish these goals the Council of the Village of Ottawa Hills adopts the following policies that comply with the Uniform Depository Act, Ohio Revised Code Section 135.

Authorized Investments:	Collateralized Certificates of Deposit Insured Certificates of Deposit Repurchase Agreements – agreements with banks to purchase a security from the bank and resell it to the bank to produce a stated interest rate (securities must be legal investments under the O.R.C. Section 135) U.S Treasuries U.S. Agencies (excluding derivatives) STAR Ohio
Terms of Investments:	Maximum Five (5) Years
Diversification:	May not exceed 50% of invested fund in STAR Ohio May not exceed 40% of invested funds in any one bank

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

At year end, the Village had \$200 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$345 of the Village's bank balance of \$930,815 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

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

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

NOTE 4 – DEPOSITS AND INVESTMENTS - (CONTINUED)

As of December 31, 2011, the Village had the following investments:

	<u>Amount</u>	<u>Maturity</u>
Federal National Mortgage Assoc. securities	\$2,400,201	7/30/2012
	619,850	10/14/2014
	94,523	10/8/2012
	1,047,713	10/3/2016
	600,000	10/12/2016
	500,000	11/9/2016
	<u>5,262,287</u>	
Federal Home Loan Bank securities (FHLB)	701,750	5/4/2012
	<u>544,850</u>	9/14/2012
	1,246,600	
Federal Home Loan Mortgage securities	400,000	12/28/2015
	376,904	6/20/2016
	355,237	6/29/2016
	699,210	9/15/2016
	<u>501,600</u>	9/21/2016
	2,332,951	
Tennessee Valley Authority (TVA)	<u>597,617</u>	7/15/2012
	597,617	
Certificates of Deposit (CDARS Program)	505,669	10/27/2011
	300,747	2/23/2012
	500,000	5/24/2012
	<u>300,747</u>	9/27/2012
	1,607,163	
STAR Ohio	<u>680,763</u>	57 days
	<u>\$11,727,381</u>	

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Village's investment policy addresses interest rate risk by requiring that the Village's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

NOTE 4 – DEPOSITS AND INVESTMENTS - (CONTINUED)

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

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The U.S. Agency Securities are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the Village's name. The Village has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

NOTE 5 – INCOME TAXES

The Village levies a 1.5 percent income tax whose proceeds are placed into the General Fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. When the taxable income of a resident is subject to income tax in another municipality on the same income taxable under this ordinance, the resident is allowed a credit of the amount of income tax paid on such taxable income to such other municipality, equal to fifty percent (50%) of the amount obtained by multiplying the lower of the tax rate of such other municipality or of this municipality (1.5%) by the taxable income earned in or attributable to the municipality of employment or business activity. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

NOTE 6 – PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2011 represent the collection of 2010 taxes. Real property taxes received in 2011 were levied after October 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due January 31, with the remainder payable by July 31.

Public utility tangible personal property currently 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 which became a lien December 31, 2010, are levied after October 1, 2011, and are collected in 2011 with real property taxes.

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

NOTE 6 – PROPERTY TAXES – (CONTINUED)

The full tax rate for all Village operations for the year ended December 31, 2011, was \$4.10 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2011 property tax receipts were based are as follows:

Real Property	
Residential & Agriculture	160,009,150
Commercial/Industrial/Mineral	3,670,770
Public Utility Property	
Personal	974,880
Tangible Personal Property	
Total Assessed Value	<u>164,654,800</u>

NOTE 7 – RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Wrongful acts;
- Law Enforcement;
- Vehicles;
- Errors and omissions
- Inland Marine;
- Electronic Data Processing; and
- Boiler and Machinery.

The Village also provides health insurance to full-time employees through a private carrier. A cafeteria (Section 125) plan is available to eligible employees. Dental insurance is made available on a voluntary basis through a private carrier.

NOTE 8 – DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

NOTE 8 – DEFINED BENEFIT PENSION PLANS - (CONTINUED)

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2011, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 10 percent of their annual covered salaries. The Village's contribution rate for pension benefits for 2011 was 14 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2011, 2010 and 2009 were \$186,397, \$171,819, and \$161,215, respectively. 87.5 percent has been contributed for 2011 and 100 percent for 2010 and 2009.

B. Ohio Police and Fire Pension Fund

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

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the Village is required to contribute 19.5 percent for police officers and 24 percent for firefighters. Contributions are authorized by State statute. The Village's required contributions to the Fund for the years ended December 31, 2011, 2010 and 2009 were \$138,429, \$279,235, and \$293,166. 75.3 percent has been contributed for 2011 and 100 percent for 2010 and 2009.

C. Social Security Administration

Part-time firefighters contribute to Social Security because they are not allowed to participate in OPERS or OP&F. This plan provides retirement benefits, including survivor and disability benefits to participants. For 2011 these employees contributed 4.2% of their gross salaries, and for 2010, and 2009 these employees contributed 6.2% of their gross salaries. The Village contributed an amount equal to 6.2% of participant's gross salaries. The Village's required contributions to Social Security for the years ended December 31, 2011, 2010, and 2009 were \$327, \$5,010, and \$4,910. The full amount has been contributed for 2011, 2010 and 2009.

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

NOTE 9 - POST EMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

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

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

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

Funding Policy – The postemployment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). State statute requires that public employers fund postemployment healthcare through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postemployment healthcare.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2010, local government employers contributed 14 percent of covered payroll (17.87 percent for public safety and law enforcement). Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding postemployment healthcare benefits. The amount of the employer contributions which was allocated to fund postemployment healthcare for members in the Traditional Plan was 4.0 percent of covered payroll during calendar year 2011. The portion of the employer contributions which was allocated to fund postemployment healthcare for members in the Combined Plan was 6.05 percent of covered payroll during calendar year 2011.

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

Actual Village contributions for 2011 which were used to fund post employment benefits were \$46,602.

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

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides access to post-retirement health care coverage for eligible persons who receive a monthly service, disability or survivor benefit check. If eligible, the plan subsidizes a spouse, survivor, child up to age 28, or incapacitated child for medical and prescription drugs.

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

NOTE 9 - POST EMPLOYMENT BENEFITS - (CONTINUED)

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 6.75 percent of covered payroll was applied to the post employment health care program during 2011. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The Village's actual contributions for 2011 that were used to fund post employment health care benefits were \$39,662 for police and \$15,073 for fire. The OP&F's total health care expense for the year ended December 31, 2010, (the latest information available) was \$159,913,915, which was net of member contributions of \$58,923,329. The number of OP&F participants eligible to receive health care benefits as of December 31, 2010, was 15,013 for police and 11,061 for firefighters

NOTE 10 – DEBT

The Village's long-term debt activity for the year ended December 31, 2011, was as follows:

	Interest Rate	Balance December 31, 2010	Additions	Reductions	Balance December 31, 2011	Due Within One Year
<u>Governmental Activities</u>						
General Obligation Bond Anticipation Notes – 2007 Original Amount \$5,000,000	4.00%	\$4,400,000		\$200,000	\$4,200,000	\$4,200,000
2002 OPWC Loan Original Amount \$123,223	0%	18,486		\$12,322	6,164	6,164
2004 OPWC Loan Original Amount \$161,358	0%	56,474		16,136	40,338	16,136
2005 OPWC Loan Original Amount \$415,014	0%	207,504		41,502	166,002	41,502
Total		\$4,682,464		\$269,960	\$4,412,504	\$4,263,802

In 2007, the Village issued \$5,000,000 of General Obligation Bond Anticipation Notes; \$4,000,000 were issued to refund the Village's General Obligation Bond Anticipation Notes, Series 2002 for roadway repair/replacement, and \$1,000,000 were issued for the purpose of constructing, reconstructing and improving various roads within the Village. The bond issue included serial bonds with interest rates of 4%. These serial bonds mature annually from 2008 through 2012. The notes are collateralized by the full faith and credit of the Village.

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

NOTE 10 – DEBT (CONTINUED)

The Ohio Public Works Commission (OPWC) 2002 loan related to a resurfacing of several roads in a joint project with Lucas County. The Village's portion of the 2002 OPWC loan is \$123,222. The loan will be repaid in semi-annual installments of \$6,161, principal only payments, over 10 years.

The OPWC 2004 loan related to a road repair/replacement project involving several roads in a joint project with the City of Toledo. The total amount of the loan is \$161,358, with \$60,500 of the loan relating to the City of Toledo's portion of the project. The loan will be repaid in semi-annual installments of \$8,068, principal only payments, over 10 years. The City of Toledo will be billed \$3,025 semi-annually for their portion of the loan.

The OPWC 2005 loan relates to a repair project of several roads in a joint project with the City of Toledo. The total amount of the loan is \$415,014, with \$195,056 of the loan relating to the City of Toledo's portion of the project. The loan will be repaid in semi-annual installments of \$20,751, principal only payments over 10 years. The City of Toledo will be billed \$9,753 semi-annually for their portion of the loan.

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

Debt Service Requirements Year ending December 31:	General Obligation Notes		OPWC Loans
	Principal	Interest	Principal
2012	4,200,000	168,000	63,802
2013			57,638
2014			49,568
2015			41,496
2016-2021			
Total	<u>\$4,200,000</u>	<u>\$168,000</u>	<u>\$212,504</u>

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2011, were an overall debt margin of \$12,806,290 and an unvoted debt margin of \$4,856,014.

NOTE 11 – INTERFUND TRANSFERS

During 2011 the following transfers were made:

Transfers from the General Fund to:	
Capital Grants Fund	\$200,000
Financed Capital Fund	380,000
Other Governmental Funds	542,000
Total Transfers from the General Fund	1,122,000
 Total Transfers	 <u>\$1,122,000</u>

General Fund Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

NOTE 12 – CONSTRUCTION AND CONTRACTUAL COMMITMENTS

On January 1, 2011 the Village contracted with the City of Toledo to provide fire protection and emergency medical services for the Village. The initial term of the contract was from January 1, 2011 through December 31, 2030. The annual service fee for the first five service years was established as \$430,000. The Village encumbered the first five years of the contract to insure the continuity of these services. As of January 21, 2011 the Village full time firefighters were hired by the City of Toledo and the Village ceased operating its Fire Department. At the end of 2011 \$1,482,026 was encumbered for the remaining four years of the initial period of the contract in General fund and \$261,534, was restricted in Fire Pension Fund (Other Governmental Fund).

The Village contracted with PHC, Inc. to complete a storm sewer project. The amount of the contract, \$343,518, was restricted in Capital Grant Fund at the end of 2011.

NOTE 13 – CONTINGENT LIABILITIES

The Village is a defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, they believe the resolution of these matters will not materially adversely affect the Village's financial condition.

NOTE 14 – SUBSEQUENT EVENTS

On October 17, 2012 the Village entered into a settlement agreement with Michael McCloskey to resolve a 2009 lawsuit filed against the Village as the result of a police shooting incident. The settlement amount of \$5,000,000 was remitted in full by the Village's insurance company and was made in exchange for a full release of liability. The settlement did not materially adversely impact the Village's financial condition.



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*

Village of Ottawa Hills
Lucas County
2125 Richards Road
Ottawa Hills, Ohio 43606

To the Honorable Mayor and Village Council:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Ottawa Hills, Lucas County, Ohio (the Village), as of and for the year ended December 31, 2011, which collectively comprise the Village's basic financial statements and have issued our report thereon dated January 14, 2013, wherein we noted the Village uses a comprehensive accounting basis other than generally accepted accounting principles and implemented Government Accounting Standards Board Statement No.54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Village's financial statements 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 was not designed to identify all deficiencies in internal control over financial reporting 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 Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of management, the audit committee, the Village Council and others within the Village. 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

January 14, 2013



Dave Yost • Auditor of State

VILLAGE OF OTTAWA HILLS

LUCAS 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
FEBRUARY 5, 2013