



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF OTTAWA
PUTNAM COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Ottawa (the Village) as of and for the years ended December 31, 2001 and 2000. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 19, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Village of Ottawa
Putnam County
Report of Independent Accountants
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This report is intended solely for the information and use of the audit committee, management, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

April 19, 2002

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**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Governmental Fund Types	
	General	Special Revenue
Cash Receipts:		
Property Tax and Other Local Taxes	\$258,985	\$1,554,550
Special Assessments		32,893
Intergovernmental Receipts	349,299	146,219
Charges for Services	54,630	110
Fines, Licenses, and Permits	36,228	348
Earnings on Investments	554,568	23,674
Demutualization Premium	129,772	
Miscellaneous	10,417	75,371
	<u>1,393,899</u>	<u>1,833,165</u>
Total Cash Receipts		
Cash Disbursements:		
Current:		
Security of Persons and Property	440,256	895
Public Health Services	1,731	
Leisure Time Activities	147,657	
Community Environment	25,261	
Transportation	136	131,648
General Government	145,537	292,073
Debt Service		500,086
Capital Outlay	1,424	899,801
	<u>762,002</u>	<u>1,824,503</u>
Total Cash Disbursements		
Total Receipts Over/(Under) Disbursements	<u>631,897</u>	<u>8,662</u>
Other Financing Receipts/(Disbursements):		
Sale of Bonds or Notes		
Interfund Loan Repayment		60,000
Sale of Fixed Assets		630
Other Financing Sources		
Reduction of Prior Year Disbursements		500
		<u>61,130</u>
Total Other Financing Receipts/(Disbursements)		
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>631,897</u>	<u>69,792</u>
Fund Cash Balances, January 1	<u>1,262,238</u>	<u>3,381,021</u>
Fund Cash Balances, December 31	<u>\$1,894,135</u>	<u>\$3,450,813</u>
Reserves for Encumbrances, December 31	<u>\$33,325</u>	<u>\$163,972</u>

The notes to the financial statements are an integral part of this statement.

<u>Governmental Fund Types</u>		<u>Totals</u>
<u>Debt Service</u>	<u>Capital Projects</u>	<u>(Memorandum Only)</u>
		\$1,813,535
	\$925	33,818
		495,518
		54,740
		36,576
\$13,503	26,591	618,336
		129,772
		85,788
<u>13,503</u>	<u>27,516</u>	<u>3,268,083</u>
		441,151
		1,731
		147,657
		25,261
		131,784
	218	437,828
1,687,838	40,889	2,228,813
	265,157	1,166,382
<u>1,687,838</u>	<u>306,264</u>	<u>4,580,607</u>
<u>(1,674,335)</u>	<u>(278,748)</u>	<u>(1,312,524)</u>
1,635,000	1,370,000	3,005,000
		60,000
		630
6,914		6,914
		500
<u>1,641,914</u>	<u>1,370,000</u>	<u>3,073,044</u>
(32,421)	1,091,252	1,760,520
<u>32,421</u>	<u>694,427</u>	<u>5,370,107</u>
	<u>\$1,785,679</u>	<u>\$7,130,627</u>
	<u>\$420,463</u>	<u>\$617,760</u>

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**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$2,033,454
Miscellaneous	16,051
	2,049,505
Operating Cash Disbursements:	
Personal Services	519,925
Fringe Benefits	259,337
Contractual Services	301,411
Supplies and Materials	167,118
Capital Outlay	441,256
	1,689,047
Operating Income	360,458
Non-Operating Cash Receipts:	
Sale of Fixed Assets	3,135
Non-Operating Cash Disbursements:	
Debt Service - Principal	243,522
Debt Service - Interest	75,324
	318,846
Net Receipts Over Disbursements	44,747
Fund Cash Balances, January 1	3,312,529
Fund Cash Balances, December 31	\$3,357,276
Reserve for Encumbrances, December 31	\$519,324

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Governmental Fund Types	
	General	Special Revenue
Cash Receipts:		
Property Tax and Other Local Taxes	\$248,417	\$1,773,058
Special Assessments		9,312
Intergovernmental Receipts	208,653	146,338
Charges for Services	49,899	996
Fines, Licenses, and Permits	33,828	881
Earnings on Investments	407,541	18,985
Miscellaneous	41,193	62,009
Total Cash Receipts	989,531	2,011,579
Cash Disbursements:		
Current:		
Security of Persons and Property	447,461	3,188
Public Health Services	1,699	
Leisure Time Activities	132,780	
Community Environment	29,069	
Basic Utility Services		3,657
Transportation	134	126,714
General Government	165,213	288,555
Debt Service		603,231
Capital Outlay	1,410	1,268,214
Total Cash Disbursements	777,766	2,293,559
Total Receipts Over/(Under) Disbursements	211,765	(281,980)
Other Financing Receipts/(Disbursements):		
Sale of Notes		
Interfund Loan Repayment		60,000
Total Other Financing Receipts/(Disbursements)		60,000
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	211,765	(221,980)
Fund Cash Balances January 1	1,050,473	3,603,001
Fund Cash Balances, December 31	\$1,262,238	\$3,381,021
Reserves for Encumbrances, December 31	\$19,000	\$204,700

The notes to the financial statements are an integral part of this statement.

<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
<u>Debt Service</u>	<u>Capital Projects</u>	
		\$2,021,475
	\$214	9,526
	197,176	552,167
		50,895
		34,709
\$67,489	889	494,904
		103,202
<u>67,489</u>	<u>198,279</u>	<u>3,266,878</u>
		450,649
		1,699
		132,780
		29,069
		3,657
		126,848
	214	453,982
1,036,359		1,639,590
	673,921	1,943,545
<u>1,036,359</u>	<u>674,135</u>	<u>4,781,819</u>
<u>(968,870)</u>	<u>(475,856)</u>	<u>(1,514,941)</u>
1,000,000	68,730	1,068,730
		60,000
<u>1,000,000</u>	<u>68,730</u>	<u>1,128,730</u>
31,130	(407,126)	(386,211)
1,291	1,101,553	5,756,318
<u>\$32,421</u>	<u>\$694,427</u>	<u>\$5,370,107</u>
<u>\$14,500</u>	<u>\$118,656</u>	<u>\$356,856</u>

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**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$2,030,736
Miscellaneous	3,418
	2,034,154
Operating Cash Disbursements:	
Personal Services	527,865
Fringe Benefits	234,371
Contractual Services	248,235
Supplies and Materials	160,165
Capital Outlay	170,854
	1,341,490
Operating Income	692,664
Non-Operating Cash Disbursements:	
Debt Service - Principal	239,704
Debt Service - Interest	91,246
	330,950
Net Receipts Over Disbursements	361,714
Fund Cash Balances, January 1	2,950,815
Fund Cash Balances, December 31	\$3,312,529
Reserve for Encumbrances, December 31	\$183,795

The notes to the financial statements are an integral part of this statement.

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**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Ottawa, Putnam County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Beginning January 1, 2000 the Village's form of government was changed from statutory to a charter form of government. The Village is directed by a publicly-elected six-member Council. The Village provides water and sewer utilities, park operations, and police services. Fire Services are provided by a Volunteer Fire Department.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and 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 disbursements, respectively.

Certificates of deposit and repurchase agreements are valued at cost. Common stock is valued at the fair value at the date it was received. STAR Ohio is recorded at share values reported by the State Treasurer.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

2. Special Revenue Fund

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Fund:

Village Income Tax Fund - This fund receives a 1% tax on gross wages of Village residents and persons who work within the Village.

3. Debt Service Fund

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant debt service funds:

General Obligation Bond Retirement Fund - This fund receives bond proceeds to be used to pay off short term financing for Village improvement projects.

89 Sewer Bond Retirement Fund - This fund received bond proceeds to be used to pay off the balance owed on the 1989 sewer bonds.

4. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

Bond Construction Fund - This fund is used to account for street improvement projects.

Agner SS Grant Construction Fund - This fund was used to account for Ohio Public Works Commission grant for a storm sewer project.

5. Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Funds:

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, program, activity, object level of control for the year 2000 and at fund, program, activity for the year 2001, appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	<u>2001</u>	<u>2000</u>
Demand deposits	\$1,902,979	\$682,874
Certificates of deposit	<u>8,021,578</u>	<u>7,771,322</u>
Total deposits	<u>9,924,557</u>	<u>8,454,196</u>
Repurchase agreements		95,520
STAR Ohio	433,574	132,920
Common stock (at fair value on date received, fair value was \$149,737 at December 31, 2001.)	<u>129,772</u>	
Total investments	<u>563,346</u>	<u>228,440</u>
Total deposits and investments	<u>\$10,487,903</u>	<u>\$8,682,636</u>

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation, collateralized by securities specifically pledged by the financial institution to the Village, or collateralized by the financial institution's public entity deposit pool.

As of December 31, 2000, the Village had \$300,000 of deposits that were uninsured and uncollateralized, contrary to Ohio law.

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

The Village's financial institution transfers securities to the Village's agent to collateralize repurchase agreements. The securities are not in the Village's name.

On November 2, 2001 the Village was issued 3,025 shares of Anthem Blue Cross and Blue Shield Insurance Company stock as part of the demutualization of the company. The Village's stock was recorded at the November 2, 2001 market value per share of \$42.90. The Anthem stock is represented by a stock certificate in the Village's name and the receipt of the stock is recorded on the accompanying financial statements as a demutualization premium.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$759,901	\$1,393,899	\$633,998
Special Revenue	1,820,425	1,894,295	73,870
Debt Service	1,671,367	1,655,417	(15,950)
Capital Projects	1,403,114	1,397,516	(5,598)
Enterprise	<u>1,803,350</u>	<u>2,052,640</u>	<u>249,290</u>
Total	<u>\$7,458,157</u>	<u>\$8,393,767</u>	<u>\$935,610</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,022,139	\$795,327	\$1,226,812
Special Revenue	5,201,446	1,988,475	3,212,971
Debt Service	1,703,789	1,687,838	15,951
Capital Projects	2,097,541	726,727	1,370,814
Enterprise	<u>5,115,879</u>	<u>2,527,217</u>	<u>2,588,662</u>
Total	<u>\$16,140,794</u>	<u>\$7,725,584</u>	<u>\$8,415,210</u>

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

2000 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$742,794	\$989,531	\$246,737
Special Revenue	1,828,302	2,071,579	243,277
Debt Service	1,064,231	1,067,489	3,258
Capital Projects	269,410	267,009	(2,401)
Enterprise	<u>1,808,900</u>	<u>2,034,154</u>	<u>225,254</u>
Total	<u>\$5,713,637</u>	<u>\$6,429,762</u>	<u>\$716,125</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$1,807,041	\$796,766	\$1,010,275
Special Revenue	5,431,304	2,498,259	2,933,045
Debt Service	1,065,522	1,050,859	14,663
Capital Projects	1,377,616	792,791	584,825
Enterprise	<u>4,759,715</u>	<u>1,856,235</u>	<u>2,903,480</u>
Total	<u>\$14,441,198</u>	<u>\$6,994,910</u>	<u>\$7,446,288</u>

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

5. LOCAL INCOME TAX

The Village levies a municipal income tax of one percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Regional Income Tax Agency (RITA). Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually. Income tax receipts are credited to the Income Tax special revenue fund.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

6. DEBT

Debt outstanding at December 31, 2001 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$4,909,885	4.12%
General Obligation Bonds - 1992	90,000	5.34%
General Obligation Bonds - 2001	3,005,000	2.5-4.1%
Ohio Public Works Commission Loans	<u>473,512</u>	0.00%
Total	<u>\$8,478,397</u>	

The Ohio Water Development Authority (OWDA) loan relates to a waste water plant improvement project that was mandated by the Ohio Environmental Protection Agency. The loans will be repaid in semiannual installments of \$198,259, including interest, over 20 years.

The Ohio Public Works Commission loans were for work on a storm sewer and water tank.

The General Obligation 1992 Bonds were issued to pay for improvements to the park. The 2001 General Obligation Bonds were issued to pay for various Village improvements and projects.

Amortization of the above debt, including interest, is scheduled as follows:

<u>Year ending December 31:</u>	<u>OWDA Loan</u>	<u>General Obligation Bonds-1992</u>	<u>General Obligation Bonds-2001</u>	<u>OPWC Loan</u>
2002	\$396,518	\$95,400	\$514,450	\$35,072
2003	396,518		504,810	35,072
2004	396,518		518,397	35,072
2005	396,518		290,198	35,072
2006	396,518		283,110	35,072
2007 – 2011	1,982,591		1,469,300	175,362
2012 – 2016	1,982,591			122,790
2017 – 2019	<u>991,295</u>			
Total	<u>\$6,939,067</u>	<u>\$95,400</u>	<u>\$3,580,265</u>	<u>\$473,512</u>

The Village Council authorized an interfund loan from the Income Tax Fund to the Water Fund in 1997. The balance owed on this loan as of December 31, 2001 is \$60,000 and this balance will be repaid in 2002.

7. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of PERS participants' gross salaries for 2001 and January 1, 2000 through June 30, 2000. For July 1, 2000 through December 31, 2000, PERS temporarily reduced employer contributions to 8.13%. The Village has paid all contributions required through December 31, 2001.

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Public Officials Liability;
- Commercial Inland Marine Coverage;
- Public Employee Dishonesty Coverage;
- Vehicles; and
- Law Enforcement Liability and Commercial Crime Coverage.

9. OUTSTANDING CONTRACTUAL COMMITMENTS

As of December 31, 2001 the Village had the following outstanding contractual commitments:

- Ward Construction in the amount of \$134,498 for street repair and improvements; and
- All American Fire Equipment in the amount of \$264,887 for a fire truck.

10. SUBSEQUENT EVENTS

On January 14, 2002 Council Members were informed that Phillips Display Corporation would be closing earlier than anticipated. Phillips Display plans to close their plant at the end of 2002, one year earlier than previously announced.

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OFFICE OF THE AUDITOR

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Ottawa (the Village) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated April 19, 2002. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-30269-001 and 2001-30269-002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the Village in a separate letter dated April 19, 2002.

Village of Ottawa
Putnam County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
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This report is intended solely for the information and use of the audit committee, management and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

April 19, 2002

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

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

FINDING NUMBER 2001-30269-001

Noncompliance Citation

Ohio Revised Code § 135.18 states the treasurer of a political subdivision must require the depository to provide as security an amount equal to the funds on deposit at all times. Such security may consist of federal deposit insurance, surety company bonds, or pledged securities. Ohio Revised Code § 135.181 also allows, in lieu of the pledging requirements prescribed in § 135.18 of the Revised Code, a public depository may pledge a single pool of eligible securities to secure the repayment of all public moneys deposited in the institution and not otherwise secured pursuant to law, provided that at all times the total value of the securities so pledged, is at least equal to one hundred five percent of the total amount of all public deposits to be secured by the pooled securities, including the portion of such deposits covered by any federal deposit insurance.

As of December 31, 2000, the Village's deposits exceeded depository insurance and pledged collateral by \$300,000. This could lead to loss of assets. We recommend the Clerk/Treasurer monitor deposits and collateral and either request additional collateral when necessary or deposit a portion of the Village's funds in another financial institution.

FINDING NUMBER 2001-30269-002

Noncompliance Citation

Ohio Revised Code §135.04(D) states that each governing board shall award active deposits of money subject to its control to the eligible institution in this section, except that no public depository shall be required to take or be permitted to receive a greater amount of active deposits than specified in the depository application. In addition, Ohio Revised Code §135.08 states the depository application shall specify the maximum the applicant desires to receive and have on deposit as interim deposits at any one time.

The Village funds on deposit at the First National of Pandora exceeded the amount listed on the depository application for active deposits by \$1,811,574 and, the application was only for active deposits and some of the Village's funds were interim deposits. In addition, two of the Village's other applications for deposits did not specify the amount of deposits the financial institution would accept. We recommend the Village request amended depository applications specifying and/or increasing the specific amount of funds the financial institution will accept. If they are unable to obtain amended applications the Village should considered depositing their funds in a different financial institution.



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OFFICE OF THE AUDITOR

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VILLAGE OF OTTAWA

PUTNAM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 9, 2002**