



Mary Taylor, CPA
Auditor of State

VILLAGE OF OTTAWA
PUTNAM COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Ottawa, Putnam County, Ohio (the Village), as of and for the year ended December 31, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 2, the accompanying financial statements and notes follow the modified 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 modified cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Ottawa, Putnam County, Ohio, as of December 31, 2006, and the respective changes in modified cash financial position and the respective budgetary comparison for the General, Income Tax, and Budget Stabilization Funds thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2007, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



Mary Taylor, CPA
Auditor of State

May 9, 2007

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED**

This discussion and analysis of the Village of Ottawa's (the Village's) financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2006, within the limitations of the Village's modified 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 2006 are as follows:

- Net assets of governmental activities decreased \$1,567,147, or 19 percent, a significant change from the prior year. The fund most affected by the decrease in cash and cash equivalents was the Learning Center Fund, which expended bond proceeds to build the Putnam County Educational Service Center/Community Learning Center. Cash was transferred out of the Budget Stabilization Fund into the Income Tax Fund and Sewer Fund for debt service. There was deficit spending in the Income Tax Fund but management feels this is acceptable based upon the healthy fund balance. The Village will continue to look at ways to cut costs in the Income Tax Fund. Cash in the General Fund realized a slight increase of 1.8 percent, which can be contributed in part to an increase in the rate of return on investments.
- The Village's general receipts are primarily sale of notes and income taxes. These receipts represent respectively 32.2 and 16.7 percent of the total cash received for governmental activities during the year. The sales of notes are non-recurring receipts. Income tax receipts for 2006 decreased 0.8 percent compared to 2005 indicating steady earnings within the Village.
- The Water Operating Fund and the Sewer Operating Fund, the Village's major business-type activities, realized increases in net assets of 30.3 and 38.9 percent respectively. These increases are mainly due to a connection fee collected from benefiting users for water and sewer line extension to a recently annexed area. The Village has passed ordinances to adjust its water and sewer rates over a multiyear period to align the rates with anticipated expenditures.

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 modified cash basis of accounting.

Report Components

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

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

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

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

Basis of Accounting

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

As a result of using the modified 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 modified cash basis of accounting.

Reporting the Government as a Whole

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

The statement of net assets and the statement of activities reflect how the Village did financially during 2006, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Village at year-end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

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

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

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

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

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

Reporting the Village's Most Significant Funds

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

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

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

The Village as a Whole

Table 1 provides a summary of the Village's net assets for 2006 compared to 2005 on a modified cash basis:

(Table 1)
Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Assets						
Cash and Cash Equivalents	\$6,682,456	\$8,249,603	\$3,694,801	\$2,835,084	\$10,377,257	\$11,084,687
Total Assets	<u>\$6,682,456</u>	<u>\$8,249,603</u>	<u>\$3,694,801</u>	<u>\$2,835,084</u>	<u>\$10,377,257</u>	<u>\$11,084,687</u>
Net Assets						
Restricted for:						
Capital Outlay	468,643	1,712,913			468,643	1,712,913
Other Purposes	4,359,358	4,715,528			4,359,358	4,715,528
Unrestricted	1,854,455	1,821,162	3,694,801	2,835,084	5,549,256	4,656,246
Total Net Assets	<u>\$6,682,456</u>	<u>\$8,249,603</u>	<u>\$3,694,801</u>	<u>\$2,835,084</u>	<u>\$10,377,257</u>	<u>\$11,084,687</u>

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

As mentioned previously, net assets of governmental activities decreased \$1,567,147 or 19 percent during 2006. The primary reasons contributing to the decreases in cash balances are as follows:

- The majority of the \$2 million bond proceeds received in 2005 were expended in 2006 for construction of the Putnam County Educational Service Center/Community Learning Center, a facility that houses the Putnam County Educational Service Center offices and post-secondary education classes.
- A total of \$324,984 was transferred out of the Budget Stabilization Fund of which \$162,492 was transferred into both the Income Tax Fund and Sewer Fund for debt service.
- Deficit spending in the Income Tax Fund totaling \$134,533 can be attributed to various capital improvements including street improvements.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

Table 2 reflects the changes in net assets in 2006 compared to 2005 on a modified cash basis:

(Table 2)
Changes in Net Assets

	Governmental Activities 2006	Governmental Activities 2005	Business Type Activities 2006	Business Type Activities 2005	Total 2006	Total 2005
Receipts:						
Program Receipts:						
Charges for Services and Sales	\$142,482	\$385,042	\$2,505,042	\$1,443,689	\$2,647,524	\$1,828,731
Operating Grants and Contributions	231,690	242,511			231,690	242,511
Capital Grants and Contributions	1,959,883	60,383		14,985	1,959,883	75,368
Total Program Receipts	2,334,055	687,936	2,505,042	1,458,674	4,839,097	2,146,610
General Receipts:						
Property Taxes	241,959	231,733			241,959	231,733
Income Taxes	1,144,294	1,153,626			1,144,294	1,153,626
Other Taxes	60,000				60,000	
Grants and Entitlements Not Restricted to Specific Programs	232,462	209,491			232,462	209,491
Sale of Bonds		2,000,000				2,000,000
Sale of Notes	2,324,621	97,944			2,324,621	97,944
Premium on Debt Issue		48,031				48,031
Sale of Fixed Assets		30,018				30,018
Interest	446,261	223,993			446,261	223,993
Miscellaneous	54,157	58,321	47,826	116,187	101,983	174,508
Total General Receipts	4,503,754	4,053,157	47,826	116,187	4,551,580	4,169,344
Total Receipts	6,837,809	4,741,093	2,552,868	1,574,861	9,390,677	6,315,954
Disbursements:						
General Government	530,969	473,805			530,969	473,805
Security of Persons and Property:	581,573	558,647			581,573	558,647
Leisure Time Activities	191,390	207,015			191,390	207,015
Community Environment	19,041	41,827			19,041	41,827
Basic Utilities		19,165				19,165
Transportation	152,935	183,254			152,935	183,254
Capital Outlay	6,076,695	1,370,546			6,076,695	1,370,546
Principal Retirement	506,833	490,557			506,833	490,557
Interest and Fiscal Charges	183,028	152,572			183,028	152,572
Water Operating			785,417	828,316	785,417	828,316
Sewer Operating			1,070,226	911,631	1,070,226	911,631
Total Disbursements	8,242,464	3,497,388	1,855,643	1,739,947	10,098,107	5,237,335
Excess (Deficiency) Before Transfers	(1,404,655)	1,243,705	697,225	(165,086)	(707,430)	1,078,619
Transfers	(162,492)	(231,582)	162,492	231,582		
Increase (Decrease) in Net Assets	(1,567,147)	1,012,123	859,717	66,496	(707,430)	1,078,619
Net Assets, January 1	8,249,603	7,237,480	2,835,084	2,768,588	11,084,687	10,006,068
Net Assets, December 31	\$6,682,456	\$8,249,603	\$3,694,801	\$2,835,084	\$10,377,257	\$11,084,687

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

Program receipts represent 51.5 percent of total receipts and are primarily comprised of restricted water and sewer user fees. Grants restricted for specific projects were a large portion of program receipts. Restricted intergovernmental receipts such as motor vehicle license and gas tax money, as well as swimming pool admissions, recreational entry fees, and license and permit fees are also included in program receipts.

In 2006, general receipts represent 48.5 percent of the Village's total receipts, and of this amount, 51 percent are one-time revenues generated from loans for improvements to the water and sanitary sewer systems. Over 31 percent are local taxes; 9.8 percent are interest earnings, which can fluctuate annually due to the rate of return; 5.1 percent are state and federal grants and entitlements; and 2.2 percent are miscellaneous receipts.

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

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

Governmental Activities

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for capital improvements, which account for 73.7 percent of all governmental disbursements. Debt service, security of persons and property, and general government also represent significant costs, 8.4 percent, 7.1 percent and 6.4 percent, respectively. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service, which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts, which are presented at the bottom of the Statement of Activities. A comparison between the total cost of services and the net cost is presented in Table 3.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

(Table 3)

	Governmental Activities			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2006	2006	2005	2005
General Government	\$530,969	\$433,131	\$473,805	\$440,492
Security of Persons and Property	581,573	577,704	558,647	532,822
Leisure Time Activities	191,390	151,782	207,015	158,436
Economic Development	19,041	14,606	41,827	4,417
Basic Utilities		(389,049)	19,165	18,410
Transportation	152,935	(81,193)	183,254	(58,800)
Capital Outlay	6,076,695	4,511,567	1,370,546	1,070,546
Principal Retirement	506,833	506,833	490,557	490,557
Interest and Fiscal Charges	183,028	183,028	152,572	152,572
Total Expenses	\$8,242,464	\$5,908,409	\$3,497,388	\$2,809,452

The dependence upon property and income tax receipts is apparent as 71.7 percent of governmental activities are supported through these general receipts.

Business-type Activities

The Village has two major business type activities, the provision of water and sewer, which are accounted for in the Water Operating Fund and the Sewer Operating Fund. Charges for services completely support the business type activity disbursements. In 2006, a connection fee was collected from benefiting users of water and sewer lines extended to a recently annexed area. Transfers were made into the Sewer Operating Fund from the Budget Stabilization Fund to subsidize debt service. The relocation out of the Village at the end of 2002 of L.G. Philips, a major water and sewer user, caused the rates charged for water and sewer to fall out of line of expenditures. The Village has taken steps to eliminate the need for subsidy by passing ordinances to adjust its water and sewer rates over a multiyear period to align the revenues with anticipated expenditures. In addition, the Village sells water and sewer to neighboring communities and has entered into a contract to provide water to the Village of Bluffton, Ohio, which will help to stabilize rates.

The Government's Funds

As you look at the Statement of Cash Receipts, Disbursements, and Changes in Modified-Cash Basis Fund Balances you will see total governmental funds had receipts and other financing sources of \$7,000,301 and disbursements and other financing uses of \$8,567,448. The greatest change within governmental funds occurred within the Learning Center Fund. The fund balance of the Learning Center Fund decreased \$1,300,233 due to the expenditure of 2005 bond proceeds to build the Putnam County Educational Service Center/Community Learning Center.

The Budget Stabilization Fund had a decrease of \$324,984 in fund balance as money was transferred out of this fund into the Income Tax Fund and Sewer Operating Fund to help pay debt service.

The General Fund receipts were more than disbursements by \$33,293 indicating that the General Fund has experienced a slight growth in fund balance.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

The Income Tax Fund balance decreased \$134,533 indicating the Income Tax Fund is in a deficit spending situation. Management feels that short term deficit spending is acceptable based upon the fund balance but will continue to look for cost cutting measures. However, as stated earlier, Income tax receipts decreased 0.8 percent indicating steady earnings within the Village.

General Fund Budgeting Highlights

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

Final disbursements in the General Fund were budgeted at \$ 2,467,475 while actual disbursements were \$1,031,724. The Village employs a conservative approach to budgeting by estimating receipts low and appropriations high. In 2006, the Village budgeted for certain capital improvements in the General Fund, but decided not to pursue those improvements at this time in keeping with its conservative approach.

Capital Assets and Debt Administration

Capital Assets

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

Debt

At December 31, 2006, the Village's outstanding debt included \$1,930,000 in general obligation bonds issued for construction of the Putnam County Educational Service Center/Community Learning Center, \$1,310,000 in general obligation bonds issued for various purposes, \$572,447 in Ohio Public Works Commission (OPWC) loans for improvements to water and sewer utility services, and \$7,262,497 in Ohio Water Development Authority (OWDA) loans for improvements to water and sewer system buildings and structures. For further information regarding the Village's debt, refer to Note 10 to the basic financial statements.

Current Issues

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes. The Village is constantly looking at ways to cut costs without cutting services. Employees are cross-trained in several areas and certain services have been contracted out resulting in cost savings. The Village has entered into a contract with the Village of Bluffton, Ohio to provide water to that community. This will help stabilize water rates for all users on the system. The Village completed the extension of water and sewer lines to a recently annexed area. This will facilitate residential growth and consequently property tax receipts.

Contacting the Village's Financial Management

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

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

*Statement of Net Assets - Modified Cash Basis
December 31, 2006*

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	<u>\$6,682,456</u>	<u>\$3,694,801</u>	<u>\$10,377,257</u>
<i>Total Assets</i>	<u><u>\$6,682,456</u></u>	<u><u>\$3,694,801</u></u>	<u><u>\$10,377,257</u></u>
Net Assets			
Restricted for:			
Capital Projects	\$468,643		\$468,643
Other Purposes	4,359,358		4,359,358
Unrestricted	<u>1,854,455</u>	<u>\$3,694,801</u>	<u>5,549,256</u>
<i>Total Net Assets</i>	<u><u>\$6,682,456</u></u>	<u><u>\$3,694,801</u></u>	<u><u>\$10,377,257</u></u>

See accompanying notes to the financial statements

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

*Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2006*

	Program Cash Receipts			
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General Government	\$530,969	\$97,838		
Security of Persons and Property	581,573	1,001	\$2,868	
Leisure Time Activities	191,390	39,208		\$400
Community Environment	19,041	4,435		
Basic Utility Services				389,049
Transportation	152,935		228,822	5,306
Capital Outlay	6,076,695			1,565,128
Debt Service:				
Principal	506,833			
Interest	183,028			
<i>Total Governmental Activities</i>	8,242,464	142,482	231,690	1,959,883
Business Type Activities				
Water	785,417	1,200,029		
Sewer	1,070,226	1,305,013		
<i>Total Business Type Activities</i>	1,855,643	2,505,042		
Total	\$10,098,107	\$2,647,524	\$231,690	\$1,959,883

General Receipts

Property Taxes Levied for General Purposes
Municipal Income Taxes
Other Taxes
Grants and Entitlements not Restricted to Specific Programs
Notes Issued
Interest
Miscellaneous

Total General Receipts

Transfers

Total General Receipts and Transfers

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the financial statements

Net (Disbursements) Receipts and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$433,131)		(\$433,131)
(577,704)		(577,704)
(151,782)		(151,782)
(14,606)		(14,606)
389,049		389,049
81,193		81,193
(4,511,567)		(4,511,567)
(506,833)		(506,833)
(183,028)		(183,028)
(5,908,409)		(5,908,409)
	\$414,612	414,612
	234,787	234,787
	649,399	649,399
(5,908,409)	649,399	(5,259,010)
241,959		241,959
1,144,294		1,144,294
60,000		60,000
232,462		232,462
2,324,621		2,324,621
446,261		446,261
54,157	47,826	101,983
4,503,754	47,826	4,551,580
(162,492)	162,492	
4,341,262	210,318	4,551,580
(1,567,147)	859,717	(707,430)
8,249,603	2,835,084	11,084,687
\$6,682,456	\$3,694,801	\$10,377,257

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

*Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2006*

	General	Income Tax Fund	Budget Stabilization Fund	Learning Center Fund	Pohl Road Sanitary Sewer Fund	Other Governmental Funds	Total Governmental Funds
Assets							
Equity in Pooled Cash and Cash Equivalents	\$1,854,455	\$2,461,604	\$1,236,768	\$407,575	\$55,951	\$666,102	\$6,682,455
<i>Total Assets</i>	<u>\$1,854,455</u>	<u>\$2,461,604</u>	<u>\$1,236,768</u>	<u>\$407,575</u>	<u>\$55,951</u>	<u>\$666,102</u>	<u>\$6,682,455</u>
Fund Balances							
Reserved:							
Reserved for Encumbrances	\$26,631	\$692,791		\$243,562	\$199,616	\$303,473	\$1,466,073
Unreserved:							
Undesignated (Deficit), Reported in:							
General Fund	1,827,824						1,827,824
Special Revenue Funds		1,768,813	\$1,236,769			648,337	3,653,919
Capital Projects Funds				164,013	(143,665)	(285,708)	(265,360)
<i>Total Fund Balances</i>	<u>\$1,854,455</u>	<u>\$2,461,604</u>	<u>\$1,236,769</u>	<u>\$407,575</u>	<u>\$55,951</u>	<u>\$666,102</u>	<u>\$6,682,456</u>

See accompanying notes to the financial statements

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**VILLAGE OF OTTAWA
PUTNAM COUNTY**

*Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2006*

	General	Income Tax Fund	Budget Stabilization Fund	Learning Center Fund
Receipts				
Municipal Income Taxes		\$1,144,294		
Property and Other Local Taxes	\$241,959			
Special Assessments		5,873		
Charges for Services	40,810			
Fines, Licenses and Permits	38,627			
Intergovernmental	308,829	42,937		\$1,565,128
Rental Revenue		62,589		
Interest	376,484			49,833
Miscellaneous	31,677	20,631		2,248
<i>Total Receipts</i>	<u>1,038,386</u>	<u>1,276,324</u>		<u>1,617,209</u>
Disbursements				
Current:				
General Government	215,180	315,789		
Security of Persons and Property	579,344			
Leisure Time Activities	191,390			
Community Environment	19,041			
Transportation	138			
Capital Outlay		567,699		2,917,442
Debt Service:				
Principal Retirement		506,833		
Interest and Fiscal Charges		183,028		
<i>Total Disbursements</i>	<u>1,005,093</u>	<u>1,573,349</u>		<u>2,917,442</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>33,293</u>	<u>(297,025)</u>		<u>(1,300,233)</u>
Other Financing Sources (Uses)				
Notes Issued				
Transfers In		162,492		
Transfers Out			(\$324,984)	
<i>Total Other Financing Sources (Uses)</i>		<u>162,492</u>	<u>(324,984)</u>	
<i>Net Change in Fund Balances</i>	33,293	(134,533)	(324,984)	(1,300,233)
Fund Balances Beginning of Year	<u>1,821,162</u>	<u>2,596,137</u>	<u>1,561,753</u>	<u>1,707,808</u>
<i>Fund Balances End of Year</i>	<u><u>\$1,854,455</u></u>	<u><u>\$2,461,604</u></u>	<u><u>\$1,236,769</u></u>	<u><u>\$407,575</u></u>

See accompanying notes to the financial statements

Pohl Road Waterline Fund	Pohl Road Sanitary Sewer Fund	Other Governmental Funds	Total Governmental Funds
			\$1,144,294
		\$60,000	301,959
			5,873
			40,810
		456	39,083
\$20,179	\$250,000	230,406	2,417,479
			62,589
		19,944	446,261
		284	54,840
<u>20,179</u>	<u>250,000</u>	<u>311,090</u>	<u>4,513,188</u>
			530,969
		2,229	581,573
			191,390
			19,041
		152,797	152,935
984,626	1,388,649	218,279	6,076,695
			506,833
			183,028
<u>984,626</u>	<u>1,388,649</u>	<u>373,305</u>	<u>8,242,464</u>
<u>(964,447)</u>	<u>(1,138,649)</u>	<u>(62,215)</u>	<u>(3,729,276)</u>
964,447	1,194,600	165,574	2,324,621
			162,492
			(324,984)
<u>964,447</u>	<u>1,194,600</u>	<u>165,574</u>	<u>2,162,129</u>
	55,951	103,359	(1,567,147)
		562,743	8,249,603
	<u>\$55,951</u>	<u>\$666,102</u>	<u>\$6,682,456</u>

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Receipts				
Property and Other Local Taxes	\$239,244	\$239,244	\$241,959	\$2,715
Special Assessments	250	250		(250)
Charges for Services	53,401	53,401	40,810	(12,591)
Fines, Licenses and Permits	34,720	34,720	38,627	3,907
Intergovernmental	157,411	171,432	308,829	137,397
Interest	140,175	140,175	376,484	236,309
Miscellaneous	8,400	3,400	31,677	28,277
<i>Total Receipts</i>	<u>633,601</u>	<u>642,622</u>	<u>1,038,386</u>	<u>395,764</u>
Disbursements				
Current:				
General Government	282,225	285,581	224,443	61,138
Security of Persons and Property	667,291	682,311	592,939	89,372
Leisure Time Activities	292,869	292,869	192,395	100,474
Community Environment	98,330	94,974	21,808	73,166
Transportation	141	141	139	2
Capital Outlay	1,111,499	1,111,499		1,111,499
<i>Total Disbursements</i>	<u>2,452,355</u>	<u>2,467,375</u>	<u>1,031,724</u>	<u>1,435,651</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,818,754)</u>	<u>(1,824,753)</u>	<u>6,662</u>	<u>1,831,415</u>
Other Financing Uses				
Other Financing Uses	(100)	(100)		100
<i>Net Change in Fund Balance</i>	(1,818,854)	(1,824,853)	6,662	1,831,515
<i>Fund Balance Beginning of Year</i>	1,789,885	1,789,885	1,789,885	
Prior Year Encumbrances Appropriated	31,277	31,277	31,277	
<i>Fund Balance End of Year</i>	<u>\$2,308</u>	<u>(\$3,691)</u>	<u>\$1,827,824</u>	<u>\$1,831,515</u>

See accompanying notes to the financial statements

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Income Tax Fund
For the Year Ended December 31, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Municipal Income Taxes	\$1,000,000	\$1,000,000	\$1,144,294	\$144,294
Special Assessments	6,415	6,415	5,873	(542)
Intergovernmental		20,000	42,937	22,937
Rental Revenue			62,589	62,589
Miscellaneous	30,000	30,000	20,631	(9,369)
<i>Total Receipts</i>	<u>1,036,415</u>	<u>1,056,415</u>	<u>1,276,324</u>	<u>219,909</u>
Disbursements				
Current:				
General Government	376,808	376,808	317,148	59,660
Capital Outlay	2,521,817	2,417,218	1,160,000	1,257,218
Debt Service:				
Principal Retirement	440,573	565,173	565,173	
Interest and Fiscal Charges	223,819	223,819	223,819	
<i>Total Disbursements</i>	<u>3,563,017</u>	<u>3,583,018</u>	<u>2,266,140</u>	<u>1,316,878</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(2,526,602)</u>	<u>(2,526,603)</u>	<u>(989,816)</u>	<u>1,536,787</u>
Other Financing Sources				
Transfers In			162,492	162,492
<i>Net Change in Fund Balance</i>	(2,526,602)	(2,526,603)	(827,324)	1,699,279
<i>Fund Balance Beginning of Year</i>	1,947,607	1,947,607	1,947,607	
Prior Year Encumbrances Appropriated	648,530	648,530	648,530	
<i>Fund Balance End of Year</i>	<u>\$69,535</u>	<u>\$69,534</u>	<u>\$1,768,813</u>	<u>\$1,699,279</u>

See accompanying notes to the financial statements

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Budget Stabilization Fund
For the Year Ended December 31, 2006*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Other Financing Uses				
Transfers Out		(\$324,984)	(\$324,984)	
<i>Total Other Financing Uses</i>		(324,984)	(324,984)	
<i>Net Change in Fund Balance</i>		(324,984)	(324,984)	
<i>Fund Balance Beginning of Year</i>	\$1,561,753	\$1,561,753	\$1,561,753	
<i>Fund Balance End of Year</i>	<u>\$1,561,753</u>	<u>\$1,236,769</u>	<u>\$1,236,769</u>	

See accompanying notes to the financial statements

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

*Statement of Fund Net Assets - Modified Cash Basis
Proprietary Funds
December 31, 2006*

	Business-Type Activities			Total Enterprise Funds
	Water Operating Fund	Sewer Operating Fund	Other Enterprise Fund	
Assets				
Equity in Pooled Cash and Cash Equivalents	\$1,830,669	\$1,549,235	\$314,897	\$3,694,801
<i>Total Assets</i>	\$1,830,669	\$1,549,235	\$314,897	\$3,694,801
Net Assets				
Unrestricted	\$1,830,669	\$1,549,235	\$314,897	\$3,694,801

See accompanying notes to the financial statements

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

*Statement of Cash Receipts,
Disbursements and Changes in Fund Net Assets - Modified Cash Basis
Proprietary Funds
For the Year Ended December 31, 2006*

	Business-Type Activities			Total Enterprise Funds
	Water Operating Fund	Sewer Operating Fund	Other Enterprise Fund	
Operating Receipts				
Charges for Services	\$1,196,186	\$1,303,148		\$2,499,334
Other Operating Receipts	10,752	37,074		47,826
<i>Total Operating Receipts</i>	<u>1,206,938</u>	<u>1,340,222</u>		<u>2,547,160</u>
Operating Disbursements				
Personal Services	278,089	273,715		551,804
Fringe Benefits	178,897	168,778		347,675
Contractual Services	135,264	228,526		363,790
Materials and Supplies	78,935	68,070		147,005
<i>Total Operating Disbursements</i>	<u>671,185</u>	<u>739,089</u>		<u>1,410,274</u>
<i>Operating Income</i>	535,753	601,133		1,136,886
Non-Operating Receipts (Disbursements)				
Special Assessments	3,843	1,865		5,708
Capital Outlay	(57,728)	(232,007)		(289,735)
Principal Payments	(34,344)	(57,162)		(91,506)
Interest and Fiscal Charges	(22,160)	(41,968)		(64,128)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(110,389)</u>	<u>(329,272)</u>		<u>(439,661)</u>
<i>Income before Transfers</i>	425,364	271,861		697,225
Transfers In		162,492		162,492
<i>Change in Net Assets</i>	425,364	434,353		859,717
Net Assets Beginning of Year	<u>1,405,305</u>	<u>1,114,882</u>	<u>\$314,897</u>	<u>2,835,084</u>
<i>Net Assets End of Year</i>	<u><u>\$1,830,669</u></u>	<u><u>\$1,549,235</u></u>	<u><u>\$314,897</u></u>	<u><u>\$3,694,801</u></u>

See accompanying notes to the financial statements

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

NOTE 1 – REPORTING ENTITY

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

A. Primary Government

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

B. Component Units

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

C. Public Entity Risk Pools

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

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

A. Basis of Presentation

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

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

B. Fund Accounting

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

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

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

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Village has six major governmental funds including the General Fund, Income Tax Fund, Budget Stabilization Fund, Learning Center Fund, Pohl Road Waterline Fund and the Pohl Road Sanitary Sewer 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 Income Tax Fund is a special revenue fund used primarily to fund capital improvements. Its use is restricted by Village ordinance.
- The Budget Stabilization Fund is classified as a special revenue fund and was established with special one-time revenue to stabilize the Village's budget against cyclical uncertainties.
- The Learning Center Fund is a capital projects fund established to account for the revenues and expenditures related to the construction of the Putnam County Educational Service Center/Community Learning Center.
- The Pohl Road Waterline Fund is a capital projects fund used to account for Ohio Environmental Protection Agency – Division of Environmental and Financial Assistance (OEPA-DEFA) low-interest loan revenues and expenditures related to the construction of the waterline extension to the recently annexed area.
- The Pohl Road Sanitary Sewer Fund is a capital projects fund established to account for grant and loan revenues as well as expenditures associated with the installation of a sanitary sewer line extension to the area, which was under Ohio Environmental Protection Agency Director's Findings and Orders.

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

Proprietary Funds

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

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

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

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

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

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

C. Basis of Accounting

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

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

D. Budgetary Process

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

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

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

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

E. Cash and Investments

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

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

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

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

During 2006, the Village invested in nonnegotiable certificates of deposit, savings accounts, money market funds, and STAR Ohio. The nonnegotiable certificates of deposit are reported at cost. The savings accounts and money market accounts are reported at the amount the Village has recorded as of December 31, 2006.

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, 2006.

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 2006 was \$376,484, which includes \$283,810 assigned from other Village funds.

F. Inventory and Prepaid Items

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

G. Capital Assets

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

H. Interfund Receivables/Payables

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

I. Accumulated Leave

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

J. Employer Contributions to Cost-Sharing Pension Plans

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

K. Long-Term Obligations

The Village's modified 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.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

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

L. Net Assets

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

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

M. Fund Balance Reserves

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

N. Interfund Transactions

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

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

NOTE 3 – BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund, Income Tax Fund and Budget Stabilization Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the modified cash basis are outstanding year-end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis). The encumbrances outstanding at year-end (budgetary basis) amounted to \$26,631 for the General Fund, and \$692,791 for the Village's income tax fund.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 4 – DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 4 – DEPOSITS AND INVESTMENTS – (CONTINUED)

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

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

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$9,100,491 of the Village's bank balance of \$10,400,491 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

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

Investments

As of December 31, 2006, the Village had \$279,349 invested in STAR Ohio. STAR Ohio has a maturity of approximately one month.

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

NOTE 5 – INCOME TAXES

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

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 6 – PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2006 represent the collection of 2005 taxes. Real property taxes received in 2006 were levied after October 1, 2005, on the assessed values as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2006 represent the collection of 2005 taxes. Public utility real and tangible personal property taxes received in 2006 became a lien on December 31, 2005, were levied after October 1, 2005, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2006 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2006 were levied after October 1, 2005, on the true value as of December 31, 2005. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Village operations for the year ended December 31, 2006, was \$2.90 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2006 property tax receipts were based are as follows:

Real Property	
Residential	\$60,453,710
Agriculture	500,090
Commercial/Industrial/Mineral	19,377,530
Public Utility Property	
Real	23,950
Personal	2,687,310
Tangible Personal Property	8,765,598
Total Assessed Value	<u>\$91,808,188</u>

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 7 – RISK MANAGEMENT

Risk Pool Membership

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

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

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

Casualty Coverage

PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

Through 2004, PEP retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

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

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

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 7 – RISK MANAGEMENT – (CONTINUED)

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2005 and 2004 (the latest information available):

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$29,719,675	\$27,437,169
Liabilities	<u>(15,994,168)</u>	<u>(13,880,038)</u>
Retained earnings	<u>\$13,725,507</u>	<u>\$13,557,131</u>
<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$4,443,332	\$3,648,272
Liabilities	<u>(1,068,245)</u>	<u>(540,073)</u>
Retained earnings	<u>\$3,375,087</u>	<u>\$3,108,199</u>

At December 31, 2005 and 2004, respectively, casualty coverage liabilities noted above include approximately \$14.3 million and \$12 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$14.3 million and \$12 million of unpaid claims to be billed to approximately 430 member governments in the future, as of December 31, 2005 and 2004, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Village's share of these unpaid claims collectible in future years is approximately \$84,326. This payable includes the subsequent year's contribution due if the Village terminates participation, as described in the last paragraph below.

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

Contributions to PEP

2004	\$42,987
2005	\$42,163
2006	\$45,489

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 7 – RISK MANAGEMENT – (CONTINUED)

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

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. 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, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

For the year ended December 31, 2006, the members of all three plans, except those in law enforcement participating in the traditional plan, were required to contribute 9 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary. The Village's contribution rate for pension benefits for 2006 was 13.7 percent, except for those plan members in law enforcement or public safety. For those classifications, the Village's pension contributions were 16.93 percent of covered payroll. 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, 2006, 2005, and 2004 were \$84,183, \$95,366 and \$98,048 respectively. The full amount has been contributed for 2006, 2005 and 2004.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 8 - DEFINED BENEFIT PENSION PLANS – (CONTINUED)

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 contributions to the Fund were \$31,720 for the year ended December 31, 2006, \$30,941 for the year ended December 31, 2005 and \$25,796 for the year ended December 31, 2004. The full amount has been contributed for 2006, 2005 and 2004.

NOTE 9 – POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.7 percent of covered payroll (16.93 percent for public safety and law enforcement); 4.50 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the individual entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care costs were assumed to increase between .50 and 6.00 percent annually for the next nine years and 4.00 percent annually after nine years.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 9 – POSTEMPLOYMENT BENEFITS – (CONTINUED)

The number of active contributing participants in the traditional and combined plans was 369,214. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$41,176. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

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 7.75 percent of covered payroll was applied to the postemployment health care program during 2006 and 2005. 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 2006 that were used to fund postemployment benefits were \$20,921 for police. The OP&F's total health care expense for the year ended December 31, 2005, (the latest information available) was \$108,039,449, which was net of member contributions of \$55,271,881. The number of OP&F participants eligible to receive health care benefits as of December 31, 2005, was 13,922 for police and 10,537 for firefighters.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 10 – DEBT

The Village's long-term debt activity for the year ended December 31, 2006 was as follows:

	Interest Rate	Balance December 31, 2005	Additions	Reductions	Balance December 31, 2006	Due Within One Year
<u>Governmental Activities</u>						
General Obligation Bonds 2001	2.5-4.1%	\$1,535,000		\$225,000	\$1,310,000	\$250,000
General Obligation Bonds 2005	3.25-5%	2,000,000		70,000	1,930,000	70,000
Promissory Note	0%	249,200		124,600	124,600	124,600
OPWC Loan - Storm Sewer	0%	300,723		30,072	270,651	30,072
Total Governmental Activities		<u>\$4,084,923</u>		<u>\$449,672</u>	<u>\$3,635,251</u>	<u>\$474,672</u>
<u>Business-type Activities</u>						
OPWC Loan - Water	0%	\$32,500		\$5,000	\$27,500	\$5,000
OPWC Loan – Pohl Sewer	0%		\$274,296		274,296	10,000
OWDA Loan #2447 (WWTP)	4.12%	4,074,578		114,323	3,960,255	235,759
OWDA Loan #3790 (WTP)	3.15%	1,209,685		44,310	1,165,375	18,851
OWDA Loan #4380 (Pohl Water)	2.75%	53,045	978,656		1,031,701	47,335
OWDA Loan #4381 (Pohl Sewer)	2.75%	33,499	926,497	6,251	953,745	43,211
OWDA Loan #4570 (Tank)	2.75%		151,421		151,421	8,833
Total Business-type Activities		<u>\$5,403,307</u>	<u>\$2,330,870</u>	<u>\$169,884</u>	<u>\$7,564,293</u>	<u>\$368,989</u>

Total reductions in governmental activities in the above table are \$57,161 lower than principal retirements in the governmental financial statements because the Village retires certain debt issues from both governmental and proprietary funds. Additionally, partially for the same reason, total reductions in business-type activities in the above table are \$78,378 higher than principal payments in the business-type financial statements. Also, OWDA made loan adjustments that do not appear on the financial statement totaling \$21,217 to reduce the outstanding balances of two loans not yet complete.

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

The Ohio Public Works Commission 0% loans relate to a storm sewer project, water tank improvement and sanitary sewer extension. The storm sewer loan will be repaid in semiannual installments of \$15,036 over 20 years. Income tax revenues are the dedicated source of repayment for this loan. The water tank loan will be repaid in semiannual installments of \$2,500 over 20 years. Water revenues are the dedicated source of repayment for this loan. The sanitary sewer extension loan has not been officially closed out, but it is anticipated that it will be repaid in semiannual installments of \$10,000 over 20 years beginning July 1, 2007, this loan is not included in the accompanying amortization schedule. Sewer revenues are the dedicated source of repayment for this loan.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 10 – DEBT – (CONTINUED)

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

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

The purpose of the OWDA loan #4380 for the Pohl Road area water line extension was to service a recently annexed area. The construction has been completed but the loan has not been officially closed and a final amortization schedule is unavailable. The loan will be repaid in semiannual installments of an estimated \$40,589 including interest over 20 years beginning January 1, 2007. Monies collected from a connection fee from the benefiting property owners will be used to make a one-time, lump sum payment on this loan. The remainder will be secured with water receipts.

The OWDA loan #4381 for the Pohl Road area sanitary sewer extension was mandated by the Ohio Environmental Protection Agency. The improvements have not been completed to date and a final amortization schedule is unavailable. The loan will be repaid in semiannual installments of an estimated \$37,053 including interest over 20 years beginning January 1, 2007. Monies collected from a connection fee from the benefiting property owners will be used to make a one-time, lump sum payment on this loan. The remainder will be secured with sewer receipts.

The OWDA loan #4570 is for rehabilitation of two water storage tanks. The improvements have not been completed to date and a final amortization schedule is unavailable. The loan will be repaid in semiannual installments of an estimated \$15,525 including interest over 20 years beginning July 1, 2007.

The promissory note is an agreement between C&K Farms and the Village requiring the three annual payments of \$124,600. This note was used to finance the Village's purchase of 70 acres of land in Ottawa Township.

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

Year	G.O. Bonds		OWDA Loan		OPWC Loans	Promissory Note
	Principal	Interest	Principal	Interest	Principal	Principal
2007	\$320,000	\$132,766	\$235,759	\$160,759	\$35,072	\$124,600
2008	320,000	121,441	245,573	150,946	35,072	
2009	325,000	109,616	255,794	140,724	35,072	
2010	350,000	97,241	266,442	130,076	35,072	
2011	365,000	83,523	277,532	118,986	35,072	
2012 – 2016	450,000	309,723	1,570,867	411,728	122,791	
2017 – 2021	560,000	195,575	1,108,288	81,265		
2022 – 2026	550,000	58,800				
Totals	<u>\$3,240,000</u>	<u>\$1,108,685</u>	<u>\$3,960,255</u>	<u>\$1,194,484</u>	<u>\$298,151</u>	<u>\$124,600</u>

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 10 – DEBT – (CONTINUED)

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, 2004, were an overall debt margin of \$1,809,450 and an unvoted debt margin of \$6,399,860.

NOTE 11 – INTERFUND TRANSFERS

During 2006 the following transfers were made:

Transfers from the Budget Stabilization Fund to:	
Income Tax Fund	\$162,492
Sewer Fund	162,492
Total Transfers from the Budget Stabilization Fund	<u>\$324,984</u>

Transfers were made out of the Village's Budget Stabilization Fund to subsidize debt service payments in 2006.

NOTE 12 – CONSTRUCTION AND CONTRACTUAL COMMITMENTS

<u>Vendor/Project</u>	<u>Contract Amount</u>	<u>Balance Outstanding 12/31/06</u>
Horizon Bros. Painting Corp. Water Tank Rehabilitation	\$385,800	\$260,864
Lingvai Excavating Pohl Road Area Sanitary Sewer	\$1,381,056	\$161,763
Poggemeyer Design Group Bluffton Waterline	\$379,634	\$296,141
Kuhlman Builders, Inc. Community Learning Center	\$2,408,142	\$141,518
Helm & Associates, Inc. Community Learning Center	\$448,400	\$44,840
Koester Electric, Inc. Community Learning Center	\$343,154	\$34,315

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 13 – CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

NOTE 14 – SUBSEQUENT EVENTS

The Village has entered into an agreement to provide water to the Village of Bluffton. The portion of the construction of the waterline to be paid by the Village of Ottawa is estimated at \$1,500,000. The Village has received federal Section 594 funding in the amount of \$298,000 and expects to finance the remaining \$1,200,000 through an OEPA-DEFA WSRLA, 2.75% loan. The repayment will be over a 20-year period. The dedicated source of repayment will be water rates. Since the Village of Bluffton is a large volume user, this contract should help to stabilize rates for all users of the water system. The Village has passed an ordinance to adjust its water rates over a five-year period to cover debt service.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2006**

FEDERAL GRANTOR Program Title	Federal CFDA Number	Disbursements
UNITED STATES DEPARTMENT OF COMMERCE		
Economic Adjustment Assistance	11.307	\$1,328,736
UNITED STATES DEPARTMENT OF HOMELAND SECURITY		
Commercial Equipment Direct Assistance Program	97.096	13,022
Assistance to Firefighter Grant	97.044	<u>1,584</u>
Total Department of Homeland Security		<u>14,606</u>
Total		<u><u>\$1,343,342</u></u>

The accompanying notes are an integral part of this schedule

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2006**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - MATCHING REQUIREMENTS

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



Mary Taylor, CPA

Auditor of State

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

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

To the Village Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Ottawa, Putnam County, Ohio, (the Village) as of and for the year ended December 31, 2006, which collectively comprise the Village's basic financial statements and have issued our report thereon dated May 9, 2007, wherein, we noted the Village prepares its financial statements on the modified cash basis of accounting. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

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

We noted certain matters that we reported to the Village's management in a separate letter dated May 9, 2007.

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 did note certain noncompliance or other matters that we reported to the Village's management in a separate letter dated May 9, 2007.

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



Mary Taylor, CPA
Auditor of State

May 9, 2007



Mary Taylor, CPA

Auditor of State

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

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

To the Village Council:

Compliance

We have audited the compliance of the Village of Ottawa, Putnam County, Ohio, (the Village) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal program for the year ended December 31, 2006. The summary of auditor's results section of the accompanying schedule of findings identifies the Village's major federal program. The Village's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Village's compliance based on our audit.

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

In our opinion, the Village of Ottawa, Putnam County, Ohio, complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2006. In a separate letter to the Village's management dated May 9, 2007, we reported other matters related to federal noncompliance not requiring inclusion in this report.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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



Mary Taylor, CPA
Auditor of State

May 9, 2007

VILLAGE OF OTTAWA
PUTNAM COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2006

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Economic Adjustment Assistance CFDA #11.307
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



Mary Taylor, CPA
Auditor of State

VILLAGE OF OTTAWA

PUTNAM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JUNE 12, 2007