



**Auditor of State  
Betty Montgomery**



**OTTAWA COUNTY**  
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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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

To the Board of County Commissioners:

We have audited the accompanying general-purpose financial statements of Ottawa County (the County) as of and for the year ended December 31, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit. We did not audit the financial statements of Riverview Industries, Inc., the County's discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for that discretely presented component unit, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Riverview Industries, Inc., discretely presented component unit were not audited in accordance with auditing standards generally accepted in the United States of America and not in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Ottawa County, as of December 31, 2002, and the results of its operations and the cash flows of its proprietary fund types and discretely presented component unit for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2003 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying schedule of federal awards expenditures is presented for additional analysis as 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 general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

August 21, 2003

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**OTTAWA COUNTY**

**Combined Balance Sheet  
All Fund Types, Account Groups,  
and Discretely Presented Component Unit  
December 31, 2002**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>ASSETS AND OTHER DEBITS</b>				
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 3,024,500	\$ 7,120,199	\$ 1,024,419	\$ 1,387,991
Cash and Cash Equivalents in Segregated Accounts	43,753	5,564	-	-
Receivables:				
Property Taxes	2,379,220	2,861,134	179,592	-
Permissive Sales Taxes	671,966	-	-	-
Other Local Taxes	-	-	-	-
Special Assessments	-	1,326	22,794,671	19,033
Accounts (net, where applicable of allowance for uncollectibles)	1,589	6,594	-	-
Interfund	657,059	812	143	980
Accrued Interest	-	-	-	-
Loans	486,255	450,606	-	-
Due from Other Funds	3,212	43,438	5,080	-
Due from Other Governments	609,597	2,446,037	12,134	-
Materials and Supplies Inventory	138,357	289,146	-	-
Prepaid Items	41,555	23,354	-	-
Unamortized Bond Issue Costs	-	-	-	-
Restricted Assets:				
Cash and Cash Equivalents	-	-	-	-
Cash and Cash Equivalents with Fiscal Agents	-	-	-	-
Fixed Assets, (net, where applicable of accumulated depreciation)	-	-	-	-
Investment in Joint Venture	-	-	-	-
<b>Other Debits</b>				
Amount Available in Debt Service Fund for Retirement of General Long-Term Obligations	-	-	-	-
Amount Available in Debt Service Fund for Retirement of Special Assessment Debt	-	-	-	-
Amount to be Provided from General Governmental Resources	-	-	-	-
Amount to be Provided from Special Assessments	-	-	-	-
<b>Total Assets and Other Debits</b>	<b>\$ 8,057,063</b>	<b>\$ 13,248,210</b>	<b>\$ 24,016,039</b>	<b>\$ 1,408,004</b>



Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)	Component Unit	Totals (Memorandum Only) Reporting Entity
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-term Obligations	Primary Government		
\$ 10,809,068	\$ 75,771	\$ 4,866,801	\$ -	\$ -	\$ 28,308,749	\$ -	\$ 28,308,749
-	-	1,059,004	-	-	1,108,321	259,452	1,367,773
540,544	-	45,674,777	-	-	51,635,267	-	51,635,267
-	-	-	-	-	671,966	-	671,966
-	-	28,958	-	-	28,958	-	28,958
-	-	331,837	-	-	23,146,867	-	23,146,867
885,731	-	-	-	-	893,914	89,431	983,345
13,838	221	-	-	-	673,053	-	673,053
-	-	447	-	-	447	-	447
-	-	-	-	-	936,861	-	936,861
320	-	10,056	-	-	62,106	-	62,106
1,204,682	-	1,792,939	-	-	6,065,389	-	6,065,389
411,894	-	-	-	-	839,397	3,815	843,212
30,541	-	-	-	-	95,450	15,387	110,837
214,585	-	-	-	-	214,585	-	214,585
2,294,499	-	-	-	-	2,294,499	-	2,294,499
1,094,144	-	-	-	-	1,094,144	-	1,094,144
125,208,047	-	-	29,168,644	-	154,376,691	76,840	154,453,531
-	-	-	364,485	-	364,485	-	364,485
-	-	-	-	834,884	834,884	-	834,884
-	-	-	-	147,719	147,719	-	147,719
-	-	-	-	25,544,681	25,544,681	-	25,544,681
-	-	-	-	6,330,026	6,330,026	-	6,330,026
<b>\$ 142,707,893</b>	<b>\$ 75,992</b>	<b>\$ 53,764,819</b>	<b>\$ 29,533,129</b>	<b>\$ 32,857,310</b>	<b>\$ 305,668,459</b>	<b>\$ 444,925</b>	<b>\$ 306,113,384</b>

(Continued)

**OTTAWA COUNTY**

**Combined Balance Sheet  
All Fund Types, Account Groups,  
and Discretely Presented Component Unit  
December 31, 2002  
(Continued)**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>LIABILITIES, FUND EQUITY, AND OTHER CREDITS</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 162,643	\$ 418,824	\$ 712	\$ 15,210
Contracts Payable	-	1,155	-	375,868
Accrued Wages Payable	279,694	235,095	-	-
Compensated Absences Payable	19,784	24,489	-	-
Retainage Payable	-	619	-	59,980
Interfund Payable	15,994	107,948	49,502	280,758
Due to Other Funds	19,557	36,884	-	-
Due to Other Governments	104,684	163,377	-	-
Deferred Revenue	3,206,001	4,708,611	22,983,222	19,033
Undistributed Assets	-	-	-	-
Claims Payable	-	-	-	-
Accrued Interest Payable	-	-	-	-
Notes Payable	-	-	-	-
Payable from Restricted Assets:				
Accrued Interest Payable	-	-	-	-
General Obligation Revenue Bonds Payable	-	-	-	-
General Obligation Bonds Payable	-	-	-	-
General Obligation Revenue Bonds Payable	-	-	-	-
Ohio Water and Sewer Loans Payable	-	-	-	-
OWDA Loans Payable	-	-	-	-
OPWC Loans Payable	-	-	-	-
OEPA Loans Payable	-	-	-	-
Capital Leases Payable	-	-	-	-
Special Assessment Debt with Governmental Commitment	-	-	-	-
Total Liabilities	<u>3,808,357</u>	<u>5,697,002</u>	<u>23,033,436</u>	<u>750,849</u>
<b>Fund Equity and Other Credits</b>				
Investment in General Fixed Assets	-	-	-	-
Retained Earnings:				
Reserved for Current Debt Service	-	-	-	-
Reserved for Future Debt Service	-	-	-	-
Reserved for Repair and Improvement	-	-	-	-
Unreserved (Deficit)	-	-	-	-
Net Assets				
Contributed Capital	-	-	-	-
Fund Balance:				
Reserved for Loans Receivable	486,255	450,606	-	-
Reserved for Unclaimed Monies	92,947	-	-	-
Reserved for Encumbrances	439,606	658,245	-	790,575
Unreserved (Deficit)	<u>3,229,898</u>	<u>6,442,357</u>	<u>982,603</u>	<u>(133,420)</u>
Total Fund Equity (Deficit) and Other Credits	<u>4,248,706</u>	<u>7,551,208</u>	<u>982,603</u>	<u>657,155</u>
<b>Total Liabilities, Fund Equity, and Other Credits</b>	<b><u>\$ 8,057,063</u></b>	<b><u>\$ 13,248,210</u></b>	<b><u>\$ 24,016,039</u></b>	<b><u>\$ 1,408,004</u></b>

See Accompanying Notes to the General-Purpose Financial Statements

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)	Component Unit	Totals (Memorandum Only) Reporting Entity
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-term Obligations	Primary Government		
\$ 530,586	\$ -	\$ -	\$ -	\$ -	\$ 1,127,975	\$ 30,799	\$ 1,158,774
301,537	-	-	-	-	678,560	-	678,560
261,643	-	-	-	-	776,432	32,411	808,843
388,884	-	-	-	1,166,539	1,599,696	-	1,599,696
24,509	-	-	-	-	85,108	-	85,108
216,526	2,325	-	-	-	673,053	-	673,053
265	-	5,400	-	-	62,106	-	62,106
427,957	-	47,809,206	-	334,505	48,839,729	6,225	48,845,954
540,544	-	-	-	-	31,457,411	-	31,457,411
-	-	5,950,213	-	-	5,950,213	-	5,950,213
-	897,674	-	-	-	897,674	-	897,674
532,404	-	-	-	-	532,404	-	532,404
500,000	-	-	-	4,645,000	5,145,000	40,135	5,185,135
78,703	-	-	-	-	78,703	-	78,703
570,000	-	-	-	-	570,000	-	570,000
11,452,194	-	-	-	3,777,000	15,229,194	-	15,229,194
7,026,625	-	-	-	-	7,026,625	-	7,026,625
1,325,486	-	-	-	-	1,325,486	-	1,325,486
28,143,720	-	-	-	16,441,709	44,585,429	-	44,585,429
566,164	-	-	-	-	566,164	-	566,164
2,992,860	-	-	-	-	2,992,860	-	2,992,860
-	-	-	-	14,812	14,812	15,170	29,982
-	-	-	-	6,477,745	6,477,745	-	6,477,745
<u>55,880,607</u>	<u>899,999</u>	<u>53,764,819</u>	<u>-</u>	<u>32,857,310</u>	<u>176,692,379</u>	<u>124,740</u>	<u>176,817,119</u>
-	-	-	29,533,129	-	29,533,129	-	29,533,129
648,703	-	-	-	-	648,703	-	648,703
830,297	-	-	-	-	830,297	-	830,297
815,499	-	-	-	-	815,499	-	815,499
62,270,875	(824,007)	-	-	-	61,446,868	-	61,446,868
22,261,912	-	-	-	-	22,261,912	320,185	320,185
-	-	-	-	-	936,861	-	936,861
-	-	-	-	-	92,947	-	92,947
-	-	-	-	-	1,888,426	-	1,888,426
-	-	-	-	-	10,521,438	-	10,521,438
<u>86,827,286</u>	<u>(824,007)</u>	<u>-</u>	<u>29,533,129</u>	<u>-</u>	<u>128,976,080</u>	<u>320,185</u>	<u>129,296,265</u>
<b>\$ 142,707,893</b>	<b>\$ 75,992</b>	<b>\$ 53,764,819</b>	<b>\$ 29,533,129</b>	<b>\$ 32,857,310</b>	<b>\$ 305,668,459</b>	<b>\$ 444,925</b>	<b>\$ 306,113,384</b>

**OTTAWA COUNTY**

**Combined Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
All Governmental Fund Types  
For the Year Ended December 31, 2002**

	<b>Governmental Fund Types</b>	
	<b>General</b>	<b>Special Revenue</b>
<b>Revenues</b>		
Property Taxes	\$ 2,524,502	\$ 2,712,020
Permissive Sales Taxes	4,206,639	408
Other Local Taxes	-	409,465
Special Assessments	-	53,147
Charges for Services	3,150,946	2,151,467
Licenses and Permits	77,866	95,829
Fines and Forfeitures	550,166	53,006
Intergovernmental	1,298,961	10,767,818
Interest	607,277	-
Other	100,263	784,771
	<u>12,516,620</u>	<u>17,027,931</u>
<b>Expenditures</b>		
Current:		
General Government:		
Legislative and Executive	4,062,075	864,987
Judicial	1,973,549	250,582
Public Safety	4,911,882	824,295
Public Works	25,737	4,244,650
Health	380,969	99,670
Human Services	632,626	10,345,396
Conservation and Recreation	-	72,202
Economic Development and Assistance	-	1,922
Other	17,624	210,388
Capital Outlay	-	-
Debt Service:		
Principal Retirement	-	3,875
Interest and Fiscal Charges	9,446	254
	<u>12,013,908</u>	<u>16,918,221</u>
Excess of Revenues Over (Under) Expenditures	<u>502,712</u>	<u>109,710</u>
<b>Other Financing Sources (Uses)</b>		
Inception of Capital Lease	-	10,833
Sale of Fixed Assets	2,608	-
Proceeds of Notes	457,266	-
Operating Transfers - In	2,325	1,793,111
Operating Transfers - Out	(1,554,840)	(1,543,510)
	<u>(1,092,641)</u>	<u>260,434</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(589,929)</u>	<u>370,144</u>
Fund Balances (Deficit) at Beginning of Year - Restated (Note 3)	<u>4,838,635</u>	<u>7,181,064</u>
<b>Fund Balances at End of Year</b>	<u><b>\$ 4,248,706</b></u>	<u><b>\$ 7,551,208</b></u>

See Accompanying Notes to the General-Purpose Financial Statements

<u>Governmental Fund Types</u>		<u>Totals</u>
<u>Debt Service</u>	<u>Capital Projects</u>	<u>(Memorandum Only)</u>
\$ 202,542	\$ -	\$ 5,439,064
-	-	4,207,047
-	-	409,465
2,239,182	49,208	2,341,537
-	-	5,302,413
-	-	173,695
-	-	603,172
18,662	97,859	12,183,300
-	-	607,277
330,376	87,887	1,303,297
<u>2,790,762</u>	<u>234,954</u>	<u>32,570,267</u>
-	-	4,927,062
-	-	2,224,131
-	-	5,736,177
-	-	4,270,387
-	-	480,639
-	-	10,978,022
-	-	72,202
-	-	1,922
4,858	-	232,870
-	1,997,219	1,997,219
3,203,763	-	3,207,638
1,305,576	68,020	1,383,296
<u>4,514,197</u>	<u>2,065,239</u>	<u>35,511,565</u>
<u>(1,723,435)</u>	<u>(1,830,285)</u>	<u>(2,941,298)</u>
-	-	10,833
-	-	2,608
1,540,000	3,292,734	5,290,000
184,188	1,025,051	3,004,675
-	-	(3,098,350)
<u>1,724,188</u>	<u>4,317,785</u>	<u>5,209,766</u>
753	2,487,500	2,268,468
981,850	(1,830,345)	11,171,204
<u>\$ 982,603</u>	<u>\$ 657,155</u>	<u>\$ 13,439,672</u>

**OTTAWA COUNTY**

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget (Non-GAAP Budgetary Basis) and Actual Comparison  
All Governmental Fund Types  
For the Year Ended December 31, 2002**

	<b>General Fund</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>			
Property Taxes	\$ 2,094,500	\$ 2,524,502	\$ 430,002
Permissive Sales Taxes	4,000,000	4,543,654	543,654
Other Local Taxes	-	-	-
Special Assessments	-	-	-
Charges for Services	2,314,523	3,202,275	887,752
Licenses and Permits	129,300	77,170	(52,130)
Fines and Forfeitures	456,750	548,738	91,988
Intergovernmental	1,746,136	1,292,500	(453,636)
Interest	1,450,000	606,905	(843,095)
Other	194,864	118,116	(76,748)
Total Revenues	<u>12,386,073</u>	<u>12,913,860</u>	<u>527,787</u>
<b>Expenditures</b>			
Current:			
General Government:			
Legislative and Executive	4,219,962	4,083,054	136,908
Judicial	2,070,064	2,028,184	41,880
Public Safety	5,154,366	5,094,865	59,501
Public Works	28,306	28,054	252
Health	447,828	403,332	44,496
Human Services	669,108	647,742	21,366
Conservation and Recreation	-	-	-
Economic Development and Assistance	-	-	-
Other	-	-	-
Capital Outlay	-	-	-
Debt Service:			
Principal Retirement	-	-	-
Interest and Fiscal Charges	-	-	-
Total Expenditures	<u>12,589,634</u>	<u>12,285,231</u>	<u>304,403</u>
Excess of Revenues Over (Under) Expenditures	<u>(203,561)</u>	<u>628,629</u>	<u>832,190</u>
<b>Other Financing Sources (Uses)</b>			
Other Financing Sources	122,000	122,074	74
Other Financing Uses	(497,493)	(508,434)	(10,941)
Sale of Fixed Assets	2,000	2,608	608
Proceeds of Notes	-	-	-
Advances - In	-	1,667,315	1,667,315
Advances - Out	-	(1,688,750)	(1,688,750)
Operating Transfers - In	-	-	-
Operating Transfers - Out	(1,053,545)	(1,569,093)	(515,548)
Total Other Financing Sources (Uses)	<u>(1,427,038)</u>	<u>(1,974,280)</u>	<u>(547,242)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(1,630,599)</u>	<u>(1,345,651)</u>	<u>284,948</u>
Fund Balances at Beginning of Year	3,169,256	3,169,256	-
Prior Year Encumbrances Appropriated	449,654	449,654	-
<b>Fund Balances at End of Year</b>	<u><b>\$ 1,988,311</b></u>	<u><b>\$ 2,273,259</b></u>	<u><b>\$ 284,948</b></u>

Special Revenue Funds			Debt Service Funds		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 2,217,000	\$ 2,712,020	\$ 495,020	\$ 169,600	\$ 202,542	\$ 32,942
-	-	-	-	-	-
440,000	409,893	(30,107)	-	-	-
49,160	53,147	3,987	929,797	911,155	(18,642)
1,747,653	2,424,288	676,635	-	-	-
96,000	90,185	(5,815)	-	-	-
51,100	53,609	2,509	-	-	-
12,232,116	10,759,024	(1,473,092)	39,000	18,662	(20,338)
-	-	-	-	-	-
416,533	541,538	125,005	24,263	4,042	(20,221)
<u>17,249,562</u>	<u>17,043,704</u>	<u>(205,858)</u>	<u>1,162,660</u>	<u>1,136,401</u>	<u>(26,259)</u>
1,160,098	992,497	167,601	-	-	-
321,700	300,722	20,978	-	-	-
1,575,563	860,989	714,574	-	-	-
6,519,054	4,646,353	1,872,701	-	-	-
106,430	105,704	726	-	-	-
12,139,350	10,893,542	1,245,808	-	-	-
92,245	79,830	12,415	-	-	-
1,922	1,922	-	-	-	-
215,465	211,888	3,577	1,073	4,858	(3,785)
-	-	-	-	-	-
-	-	-	6,318,174	6,318,174	-
-	-	-	696,675	696,671	4
<u>22,131,827</u>	<u>18,093,447</u>	<u>4,038,380</u>	<u>7,015,922</u>	<u>7,019,703</u>	<u>(3,781)</u>
<u>(4,882,265)</u>	<u>(1,049,743)</u>	<u>3,832,522</u>	<u>(5,853,262)</u>	<u>(5,883,302)</u>	<u>(30,040)</u>
384,219	228,206	(156,013)	381,554	399,404	17,850
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	5,253,411	5,290,000	36,589
-	332,259	332,259	-	127,491	127,491
-	(455,221)	(455,221)	-	(89,406)	(89,406)
1,561,800	1,793,528	231,728	199,775	194,443	(5,332)
<u>(1,543,522)</u>	<u>(1,543,510)</u>	<u>12</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>402,497</u>	<u>355,262</u>	<u>(47,235)</u>	<u>5,834,740</u>	<u>5,921,932</u>	<u>87,192</u>
(4,479,768)	(694,481)	3,785,287	(18,522)	38,630	57,152
6,012,764	6,012,764	-	985,077	985,077	-
724,150	724,150	-	-	-	-
<b><u>\$ 2,257,146</u></b>	<b><u>\$ 6,042,433</u></b>	<b><u>\$ 3,785,287</u></b>	<b><u>\$ 966,555</u></b>	<b><u>\$ 1,023,707</u></b>	<b><u>\$ 57,152</u></b>

(Continued)

**OTTAWA COUNTY**

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget (Non-GAAP Budgetary Basis) and Actual Comparison  
All Governmental Fund Types  
For the Year Ended December 31, 2002  
(Continued)**

	<b>Capital Projects Funds</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>			
Property Taxes	\$ -	\$ -	\$ -
Permissive Sales Taxes	-	-	-
Other Local Taxes	-	-	-
Special Assessments	46,859	49,208	2,349
Charges for Services	-	-	-
Licenses and Permits	-	-	-
Fines and Forfeitures	-	-	-
Intergovernmental	-	97,859	97,859
Interest	-	-	-
Other	-	100	100
Total Revenues	<u>46,859</u>	<u>147,167</u>	<u>100,308</u>
<b>Expenditures</b>			
Current:			
General Government:			
Legislative and Executive	-	-	-
Judicial	-	-	-
Public Safety	-	-	-
Public Works	-	-	-
Health	-	-	-
Human Services	-	-	-
Conservation and Recreation	-	-	-
Economic Development and Assistance	-	-	-
Other	-	-	-
Capital Outlay	3,077,634	3,011,151	66,483
Debt Service:			
Principal Retirement	-	-	-
Interest and Fiscal Charges	-	-	-
Total Expenditures	<u>3,077,634</u>	<u>3,011,151</u>	<u>66,483</u>
Excess of Revenues Over (Under) Expenditures	<u>(3,030,775)</u>	<u>(2,863,984)</u>	<u>166,791</u>
<b>Other Financing Sources (Uses)</b>			
Other Financing Sources	-	14,440	14,440
Other Financing Uses	-	-	-
Sale of Fixed Assets	-	-	-
Proceeds of Notes	-	-	-
Advances - In	-	280,758	280,758
Advances - Out	-	(283,107)	(283,107)
Operating Transfers - In	1,416,365	1,025,337	(391,028)
Operating Transfers - Out	-	-	-
Total Other Financing Sources (Uses)	<u>1,416,365</u>	<u>1,037,428</u>	<u>(378,937)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(1,614,410)</u>	<u>(1,826,556)</u>	<u>(212,146)</u>
Fund Balances at Beginning of Year	853,852	853,852	-
Prior Year Encumbrances Appropriated	<u>1,301,728</u>	<u>1,301,728</u>	<u>-</u>
<b>Fund Balances at End of Year</b>	<u><b>\$ 541,170</b></u>	<u><b>\$ 329,024</b></u>	<u><b>\$ (212,146)</b></u>

See Accompanying Notes to the General-Purpose Financial Statements



<b>Totals (Memorandum Only)</b>		
<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
\$ 4,481,100	\$ 5,439,064	\$ 957,964
4,000,000	4,543,654	543,654
440,000	409,893	(30,107)
1,025,816	1,013,510	(12,306)
4,062,176	5,626,563	1,564,387
225,300	167,355	(57,945)
507,850	602,347	94,497
14,017,252	12,168,045	(1,849,207)
1,450,000	606,905	(843,095)
635,660	663,796	28,136
<u>30,845,154</u>	<u>31,241,132</u>	<u>395,978</u>
5,380,060	5,075,551	304,509
2,391,764	2,328,906	62,858
6,729,929	5,955,854	774,075
6,547,360	4,674,407	1,872,953
554,258	509,036	45,222
12,808,458	11,541,284	1,267,174
92,245	79,830	12,415
1,922	1,922	-
216,538	216,746	(208)
3,077,634	3,011,151	66,483
6,318,174	6,318,174	-
696,675	696,671	4
<u>44,815,017</u>	<u>40,409,532</u>	<u>4,405,485</u>
<u>(13,969,863)</u>	<u>(9,168,400)</u>	<u>4,801,463</u>
887,773	764,124	(123,649)
(497,493)	(508,434)	(10,941)
2,000	2,608	608
5,253,411	5,290,000	36,589
-	2,407,823	2,407,823
-	(2,516,484)	(2,516,484)
3,177,940	3,013,308	(164,632)
<u>(2,597,067)</u>	<u>(3,112,603)</u>	<u>(515,536)</u>
<u>6,226,564</u>	<u>5,340,342</u>	<u>(886,222)</u>
(7,743,299)	(3,828,058)	3,915,241
11,020,949	11,020,949	-
2,475,532	2,475,532	-
<b><u>\$ 5,753,182</u></b>	<b><u>\$ 9,668,423</u></b>	<b><u>\$ 3,915,241</u></b>

**OTTAWA COUNTY**

**Combined Statement of Revenues, Expenses, and Changes in Fund Equity  
All Proprietary Fund Types  
For the Year Ended December 31, 2002**

	<u>Proprietary Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>Enterprise</u>	<u>Internal Service</u>	
<b>Operating Revenues</b>			
Charges for Services	\$ 17,173,934	\$ 3,264,482	\$ 20,438,416
Other Operating Revenues	<u>433,942</u>	<u>43,335</u>	<u>477,277</u>
Total Operating Revenues	<u>17,607,876</u>	<u>3,307,817</u>	<u>20,915,693</u>
<b>Operating Expenses</b>			
Personal Services	7,811,797	-	7,811,797
Contractual Services	3,152,265	464,398	3,616,663
Materials and Supplies	1,491,156	-	1,491,156
Claims	-	2,775,116	2,775,116
Depreciation	3,291,973	-	3,291,973
Other Operating Expenses	<u>16,855</u>	<u>-</u>	<u>16,855</u>
Total Operating Expenses	<u>15,764,046</u>	<u>3,239,514</u>	<u>19,003,560</u>
Operating Income	<u>1,843,830</u>	<u>68,303</u>	<u>1,912,133</u>
<b>Non-Operating Revenues (Expenses)</b>			
Property Taxes	616,343	-	616,343
Grants	176,561	-	176,561
Interest Revenue	13,884	-	13,884
Interest Expense	(1,726,338)	-	(1,726,338)
Loss on Disposal of Fixed Assets	(59,860)	-	(59,860)
Capital Contributions	<u>343,170</u>	<u>-</u>	<u>343,170</u>
Total Non-Operating Revenues (Expenses)	<u>(636,240)</u>	<u>-</u>	<u>(636,240)</u>
Income Before Operating Transfers	1,207,590	68,303	1,275,893
Operating Transfers - In	335,052	838	335,890
Operating Transfers - Out	<u>(239,890)</u>	<u>(2,325)</u>	<u>(242,215)</u>
Net Income	1,302,752	66,816	1,369,568
Depreciation on Fixed Assets Acquired by Contributed Capital	150,908	-	150,908
Retained Earnings (Deficit) at Beginning of Year - Restated (Note 3)	<u>63,111,714</u>	<u>(890,823)</u>	<u>62,220,891</u>
Retained Earnings (Deficit) at End of Year	64,565,374	(824,007)	63,741,367
Contributed Capital at Beginning of Year	22,412,820	-	22,412,820
Depreciation on Fixed Assets Acquired by Contributed Capital	(150,908)	-	(150,908)
Contributed Capital at End of Year	<u>22,261,912</u>	<u>-</u>	<u>22,261,912</u>
<b>Total Fund Equity (Deficit) at End of Year</b>	<b><u>\$ 86,827,286</u></b>	<b><u>\$ (824,007)</u></b>	<b><u>\$ 86,003,279</u></b>

See Accompanying Notes to the General-Purpose Financial Statements

OTTAWA COUNTY

Statement of Activities and Change in Net Assets  
Component Unit  
For the Year Ended December 31, 2002

	<u>Riverview Industries</u>
<b>Operating Revenues</b>	
Production	\$ 818,139
Janitorial	397,020
Other	373,282
In Kind Contributions	<u>117,276</u>
Total Operating Revenues	<u>1,705,717</u>
<b>Operating Expenses</b>	
Production	716,043
Janitorial	363,981
General and Administration	<u>556,931</u>
Total Operating Expenses	<u>1,636,955</u>
Change in Net Assets	68,762
Net Assets at Beginning of Year	<u>251,423</u>
<b>Net Assets at End of Year</b>	<b><u><u>\$ 320,185</u></u></b>

*See Accompanying Notes to the General-Purpose Financial Statements*

**OTTAWA COUNTY**

**Combined Statement of Revenues, Expenses,  
and Changes in Fund Balances  
Budget (Non-GAAP Budgetary Basis) and Actual  
All Proprietary Fund Types  
For the Year Ended December 31, 2002**

	<b>Enterprise Funds</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>			
Charges for Services	\$ 16,025,872	\$ 16,512,994	\$ 487,122
Property Taxes	510,560	616,343	105,783
Special Assessments	1,391,212	1,328,027	(63,185)
Grants	2,052,827	54,751	(1,998,076)
Proceeds of Notes	1,412,406	500,000	(912,406)
Other Revenues	450,619	433,622	(16,997)
<b>Total Revenues</b>	<b>21,843,496</b>	<b>19,445,737</b>	<b>(2,397,759)</b>
<b>Expenses</b>			
Personal Services	7,758,500	7,629,041	129,459
Contractual Services	5,266,802	4,658,930	607,872
Materials and Supplies	1,626,790	1,475,337	151,453
Capital Outlay	4,064,663	1,079,232	2,985,431
Claims	-	-	-
Other Expenses	10,459	17,659	(7,200)
Debt Service:			
Principal Retirement	2,864,226	2,836,116	28,110
Interest and Fiscal Charges	2,409,175	2,406,838	2,337
<b>Total Expenses</b>	<b>24,000,615</b>	<b>20,103,153</b>	<b>3,897,462</b>
<b>Excess of Revenues Over (Under) Expenses</b>	<b>(2,157,119)</b>	<b>(657,416)</b>	<b>1,499,703</b>
Advances - In	-	424,771	424,771
Advances - Out	-	(213,157)	(213,157)
Operating Transfers - In	147,534	338,568	191,034
Operating Transfers - Out	(486,432)	(239,890)	246,542
<b>Excess of Revenues Over (Under) Expenses, Advances, and Transfers</b>	<b>(2,496,017)</b>	<b>(347,124)</b>	<b>2,148,893</b>
Fund Balances at Beginning of Year	9,439,698	9,439,698	-
Prior Year Encumbrances Appropriated	1,523,841	1,523,841	-
<b>Fund Balances at End of Year</b>	<b>\$ 8,467,522</b>	<b>\$ 10,616,415</b>	<b>\$ 2,148,893</b>

See Accompanying Notes to the General-Purpose Financial Statements

<u>Internal Service Fund</u>			<u>Totals (Memorandum Only)</u>		
<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 3,416,000	\$ 3,264,482	\$ (151,518)	\$ 19,441,872	\$ 19,777,476	\$ 335,604
-	-	-	510,560	616,343	105,783
-	-	-	1,391,212	1,328,027	(63,185)
-	-	-	2,052,827	54,751	(1,998,076)
-	-	-	1,412,406	500,000	(912,406)
<u>15,500</u>	<u>45,447</u>	<u>29,947</u>	<u>466,119</u>	<u>479,069</u>	<u>12,950</u>
<u>3,431,500</u>	<u>3,309,929</u>	<u>(121,571)</u>	<u>25,274,996</u>	<u>22,755,666</u>	<u>(2,519,330)</u>
-	-	-	7,758,500	7,629,041	129,459
478,758	464,398	14,360	5,745,560	5,123,328	622,232
-	-	-	1,626,790	1,475,337	151,453
-	-	-	4,064,663	1,079,232	2,985,431
2,847,592	2,680,300	167,292	2,847,592	2,680,300	167,292
-	-	-	10,459	17,659	(7,200)
-	-	-	2,864,226	2,836,116	28,110
<u>-</u>	<u>-</u>	<u>-</u>	<u>2,409,175</u>	<u>2,406,838</u>	<u>2,337</u>
<u>3,326,350</u>	<u>3,144,698</u>	<u>181,652</u>	<u>27,326,965</u>	<u>23,247,851</u>	<u>4,079,114</u>
<u>105,150</u>	<u>165,231</u>	<u>60,081</u>	<u>(2,051,969)</u>	<u>(492,185)</u>	<u>1,559,784</u>
-	92,016	92,016	-	516,787	516,787
-	(194,969)	(194,969)	-	(408,126)	(408,126)
7,000	617	(6,383)	154,534	339,185	184,651
<u>-</u>	<u>-</u>	<u>-</u>	<u>(486,432)</u>	<u>(239,890)</u>	<u>246,542</u>
112,150	62,895	(49,255)	(2,383,867)	(284,229)	2,099,638
-	-	-	9,439,698	9,439,698	-
<u>3,092</u>	<u>3,092</u>	<u>-</u>	<u>1,526,933</u>	<u>1,526,933</u>	<u>-</u>
<u>\$ 115,242</u>	<u>\$ 65,987</u>	<u>\$ (49,255)</u>	<u>\$ 8,582,764</u>	<u>\$ 10,682,402</u>	<u>\$ 2,099,638</u>

**OTTAWA COUNTY**

**Combined Statement of Cash Flows  
All Proprietary Fund Types  
For the Year Ended December 31, 2002**

	<u>Proprietary Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
<b>Cash Flows from Operating Activities</b>			
Cash Received from Customers	\$ 16,595,496	\$ -	\$ 16,595,496
Cash Received from Quasi-External Operating Transactions with Other Funds	-	3,264,482	3,264,482
Cash Paid for Personal Services	(6,503,360)	-	(6,503,360)
Cash Paid for Contractual Services	(2,948,934)	(464,398)	(3,413,332)
Cash Paid to Suppliers	(1,240,180)	-	(1,240,180)
Cash Paid for Claims	-	(2,670,516)	(2,670,516)
Cash Paid for Quasi-External Operating Transactions with Other Funds	(1,123,494)	-	(1,123,494)
Cash Received from Other Revenues	433,622	45,447	479,069
Cash Paid for Other Expenses	(17,593)	-	(17,593)
Net Cash Provided by Operating Activities	<u>5,195,557</u>	<u>175,015</u>	<u>5,370,572</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Property Taxes	616,343	-	616,343
Special Assessments	1,328,027	-	1,328,027
Grants	54,751	-	54,751
Advances - In	424,771	92,016	516,787
Advances - Out	(213,157)	(194,969)	(408,126)
Operating Transfers - In	338,568	617	339,185
Operating Transfers - Out	(239,890)	-	(239,890)
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>2,309,413</u>	<u>(102,336)</u>	<u>2,207,077</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Acquisition of Fixed Assets	(634,050)	-	(634,050)
Proceeds from Notes	500,000	-	500,000
Principal Paid on General Obligation Bonds	(435,600)	-	(435,600)
Interest Paid on General Obligation Bonds	(657,940)	-	(657,940)
Principal Paid on General Obligation Revenue Bonds	(545,000)	-	(545,000)
Interest Paid on General Obligation Revenue Bonds	(359,637)	-	(359,637)
Principal Paid on Ohio Water and Sewer Loans	(37,253)	-	(37,253)
Principal Paid on OWDA Loans	(1,026,375)	-	(1,026,375)
Interest Paid on OWDA Loans	(569,760)	-	(569,760)
Principal Paid on OPWC Loans	(40,303)	-	(40,303)
Interest Paid on OPWC Loans	(17,208)	-	(17,208)
Principal Paid on OEPA Loans	(751,585)	-	(751,585)
Interest Paid on OEPA Loans	(802,293)	-	(802,293)
Net Cash Used for Capital and Related Financing Activities	<u>(5,377,004)</u>	<u>-</u>	<u>(5,377,004)</u>
<b>Cash Flows from Investing Activities</b>			
Cash Received from Interest	13,884	-	13,884
Cash Received from Sale of Investments	(635,299)	-	(635,299)
Cash Payments for Purchase of Investments	634,090	-	634,090
Net Cash Provided by Investing Activities	<u>12,675</u>	<u>-</u>	<u>12,675</u>
Net Increase in Cash and Cash Equivalents	2,140,641	72,679	2,213,320
Cash and Cash Equivalents at Beginning of Year	12,057,070	3,092	12,060,162
<b>Cash and Cash Equivalents at End of Year</b>	<b><u>\$ 14,197,711</u></b>	<b><u>\$ 75,771</u></b>	<b><u>\$ 14,273,482</u></b>

(Continued)

**OTTAWA COUNTY**

**Combined Statement of Cash Flows  
All Proprietary Fund Types  
For the Year Ended December 31, 2002  
(Continued)**

	<u>Proprietary Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating Income	\$ 1,843,830	\$ 68,303	\$ 1,912,133
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</b>			
Depreciation	3,291,973	-	3,291,973
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	(19,025)	2,112	(16,913)
Increase in Due from Other Funds	(320)	-	(320)
Increase in Due from Other Governments	(559,413)	-	(559,413)
Decrease in Materials and Supplies Inventory	70,538	-	70,538
Increase in Prepaid Items	(2,177)	-	(2,177)
Increase in Accounts Payable	58,038	-	58,038
Increase in Contracts Payable	301,537	-	301,537
Increase in Accrued Wages Payable	23,671	-	23,671
Increase in Compensated Absences Payable	14,603	-	14,603
Increase in Retainage Payable	24,509	-	24,509
Decrease in Due to Other Funds	(1,272)	-	(1,272)
Increase in Due to Other Governments	149,065	-	149,065
Increase in Claims Payable	-	104,600	104,600
Total Adjustments	<u>3,351,727</u>	<u>106,712</u>	<u>3,458,439</u>
<b>Net Cash Provided by Operating Activities</b>	<b><u>\$ 5,195,557</u></b>	<b><u>\$ 175,015</u></b>	<b><u>\$ 5,370,572</u></b>

**Non-Cash Capital Transactions**

During 2002, the Regional Water and Portage Catawba Sewer enterprise funds received donated fixed assets from developers, in the amount of \$90,974, and \$252,196, respectively.

During 2002, the Regional Water and Sewer District #13 enterprise funds received grant money from the Ohio Public Works Commission, in the amount of \$99,905 and \$21,529, respectively.

*See Accompanying Notes to the General-Purpose Financial Statements*

**OTTAWA COUNTY**  
**Statement of Cash Flows**  
**Component Unit**  
**For the Year Ended December 31, 2002**

	<u>Riverview Industries</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	
Change in Net Assets	\$ 68,762
<b>Net Cash Provided by (Used for) Operating Activities</b>	
Depreciation	29,708
Non-Cash Donations	(12,444)
Scrap Loss	158
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	166
Increase in Materials and Supplies Inventory	(291)
Increase in Prepaid Items	(2,640)
Decrease in Accounts Payable	813
Decrease in Accrued Wages Payable	7,504
Decrease in Due to Other Governments	1,507
	93,243
<b>Cash Flows from Investing Activities</b>	
Sale of Property and Equipment	200
Purchase of Equipment	(27,941)
	(27,741)
<b>Cash Flows from Capital and Related Financing Activities</b>	
Principal Paid on Notes	(6,716)
Principal Paid on Capital Leases	(3,641)
	(10,357)
Net Increase in Cash and Cash Equivalents	55,145
Cash and Cash Equivalents at Beginning of Year	204,307
	259,452
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 259,452</b>

*See Accompanying Notes to the General-Purpose Financial Statements*



## OTTAWA COUNTY

### Notes to the General-Purpose Financial Statements For the Year Ended December 31, 2002

#### NOTE 1 - REPORTING ENTITY

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

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

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

#### A. Primary Government

The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the County. For Ottawa County, this includes the Ottawa County Board of Mental Retardation and Developmental Disabilities (MRDD), Children Services Board, and departments and activities that are directly operated by the elected County officials.

#### B. Component Units

Component units are legally separate organizations for which the County is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the organization's governing board and (1) the County is able to significantly influence the programs or services performed or provided by the organization; or (2) the County is legally entitled to or can otherwise access the organization's resources; the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the County is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the County in that the County approves the budget, the issuance of debt, or the levying of taxes.

#### Discretely Presented Component Unit

The component unit column on the combined financial statements identifies the financial data of the County's component unit, Riverview Industries. It is reported separately to emphasize that it is legally separate from the County.

Riverview Industries. Riverview Industries (Industries) is a legally separate, not-for-profit corporation, served by a self-appointing board of trustees. The Industries, under a contractual agreement with the Ottawa County Board of Mental Retardation and Developmental Disabilities (MRDD), provides sheltered employment for mentally retarded or handicapped adults in Ottawa County. The Ottawa County Board of MRDD provides the Industries with all expenses and personnel for operation of the Industries including staff salaries, transportation, equipment (except that used directly in the production of goods or rendering of services), staff to administer and supervise training programs, and other funds as necessary for the operation of the Industries. Based on the significant services and resources provided by the County to the Industries and the Industries' sole purpose of providing assistance to the retarded and handicapped adults of

## OTTAWA COUNTY

### Notes to the General-Purpose Financial Statements For the Year Ended December 31, 2002 (Continued)

Ottawa County, the Industries is presented as a component unit of Ottawa County. The Riverview Industries operates on a fiscal year ending December 31. The financial information can be obtained from James Frederick, 8200 West State Route 163, Oak Harbor, Ohio 43449.

As custodian of public funds, the County Treasurer invests all public monies held on deposit in the County treasury. In the case of the separate agencies listed below, the County serves as the fiscal agent, but the organizations are not considered part of Ottawa County. Accordingly, the activity of the following organizations is presented as agency funds within the combined financial statements:

Ottawa County Soil and Water Conservation District.  
Ottawa County District Board of Health.

The County participates in several joint ventures, a jointly governed organization, and an insurance pool. These organizations are presented in Notes 23, 24, and 25 to the combined financial statements. These organizations are:

Joint Solid Waste District.  
Alcohol, Drug Addiction, and Mental Health Services Board (ADAMHS).  
Regional Airport Authority.  
Ottawa County Regional Planning Commission.  
County Risk Sharing Authority, Inc. (CORSA).

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

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles (GAAP) for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources. The County also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements.

Riverview Industries is a non-governmental not-for-profit organization which prepares its financial statements in accordance with Financial Accounting Standards Board Statement No. 117.

#### **A. Fund Accounting**

The County and Riverview Industries use funds and account groups to report on their financial position and the results of their operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain County functions or activities.

A fund is defined as a fiscal and accounting entity with a self balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the County are grouped into the following generic fund types under the broad fund categories of governmental, proprietary, and fiduciary.

## OTTAWA COUNTY

### Notes to the General-Purpose Financial Statements For the Year Ended December 31, 2002 (Continued)

#### Governmental Fund Types

Governmental funds are those through which most governmental functions of the County are financed. The acquisition, use, and balances of the County's expendable financial resources and the related current liabilities (except those accounted for in proprietary fund types) are accounted for through governmental funds. The following are the County's governmental fund types:

General Fund. This fund is used to account for all financial resources of the County, except those required to be accounted for in another fund. The General fund balance is available to the County for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds. These funds are used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Funds. These funds are used to account for the accumulation of financial resources for, and the payment of, general and special assessment long-term obligation principal, interest, and related costs.

Capital Projects Funds. These funds are used to account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

#### Proprietary Fund Types

Proprietary funds are used to account for the County's ongoing activities which are similar to those found in the private sector. The following are the County's proprietary fund types:

Enterprise Funds. These funds are used to account for activities that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Fund. This fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the County, or to other governmental units, on a cost-reimbursement basis.

#### Fiduciary Fund Type

Fiduciary funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The County's fiduciary funds are agency funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

## OTTAWA COUNTY

### Notes to the General-Purpose Financial Statements For the Year Ended December 31, 2002 (Continued)

#### Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group. This account group is used to account for all fixed assets of the County, except those accounted for in the proprietary funds.

General Long-Term Obligations Account Group. This account group is used to account for all long-term obligations of the County, except those accounted for in the proprietary funds.

#### **B. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary fund types and Riverview Industries are accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Operating statements of these funds present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental fund types and agency funds. The full accrual basis of accounting is followed for the proprietary fund types and Riverview Industries.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded when the exchange takes place. On the modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the County, available means expected to be received within thirty days of year end.

Nonexchange transactions, in which the County receives value without directly giving equal value in return, include property taxes, permissive sales taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from permissive sales taxes is recognized in the year in which the sales are made. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the County must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On the

## OTTAWA COUNTY

### Notes to the General-Purpose Financial Statements For the Year Ended December 31, 2002 (Continued)

modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at year end: permissive sales taxes, charges for services, fines and forfeitures, state levied locally shared taxes (including gasoline tax and motor vehicle license tax), grants, and interest.

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there was an enforceable legal claim as of December 31, 2002, but which were levied to finance 2003 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, revenues that are not collected within the available period are recorded as deferred revenue.

On the accrual basis, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

#### **C. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, legally are required to be budgeted and appropriated.

Advances in and advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

Budgetary information for the Furtherance of Justice money in the General fund, the Commissary special revenue fund, and Riverview Industries are not reported because they are not included in the entity for which the "appropriated budget" is adopted.

#### Tax Budget

A budget of estimated revenues and expenditures is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. The budget includes proposed expenditures for all funds. The purpose of this budget document is to reflect the need for existing or increased tax rates.

#### Estimated Resources

The County Budget Commission reviews estimated revenues and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The County Budget Commission certifies its actions to the County by September 1. As part of this certification, the County receives the official

## OTTAWA COUNTY

### Notes to the General-Purpose Financial Statements For the Year Ended December 31, 2002 (Continued)

certificate of estimated resources, which states the estimated beginning of year fund balance and projected revenue of each fund. Prior to December 31, the County must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include the actual unencumbered fund balances from the preceding year. The certificate of estimated resources may be further amended during the year if the County Auditor determines, and the County Budget Commission agrees, that an estimate needs to be increased or decreased. The amounts reported on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the County Commissioners.

#### Appropriations

A temporary appropriations resolution to control expenditures may be passed on or about January 1 of each year, for the period January 1 to March 31. An annual appropriations resolution must be passed by April 1 of each year, for the period January 1 to December 31. The appropriations resolution may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified.

The allocation of appropriations among departments and objects within a fund may be modified during the year only by a resolution of the County Commissioners. Several supplemental appropriations resolutions were legally enacted by the County Commissioners during the year. The budget figures which appear on the statements of budgetary comparisons represent the final appropriation amounts passed during the year.

#### Budgeted Level of Expenditures

Administrative control is maintained through the establishment of detailed line-item budgets. The legal level of budgetary control is at the object level within each department (i.e., General Fund - Commissioners - personal services, contractual services, materials and supplies, capital outlay, debt service, and transfers). Expenditures plus encumbrances may not legally exceed appropriations at the level of appropriation.

#### Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation. On the GAAP basis, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental fund types and reported in the notes to the financial statements for proprietary fund types.

#### Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding year and are not reappropriated.

## OTTAWA COUNTY

### Notes to the General-Purpose Financial Statements For the Year Ended December 31, 2002 (Continued)

#### **D. Cash and Investments**

To improve cash management, cash received by the County, except cash in segregated accounts or with fiscal agents, is pooled and invested. Individual fund integrity is maintained through County records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

Cash and cash equivalents that are held separately within departments of the County or with fiscal agents, and not held with the County Treasurer, are recorded on the combined balance sheet as "Cash and Cash Equivalents in Segregated Accounts" and "Cash and Cash Equivalents with Fiscal Agents", respectively.

Cash and cash equivalents of Riverview Industries are held by the component unit and are recorded on the combined balance sheet as "Cash and Cash Equivalents in Segregated Accounts".

During 2002, the County invested in nonnegotiable certificates of deposit, mutual funds, Ottawa County bonds, and STAR Ohio. Nonnegotiable certificates of deposit are reported at cost. Ottawa County bonds are reported at market value. Mutual funds are reported at fair value, which is based on current share price. 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, 2002.

Interest earnings are allocated to County funds according to State statutes, grant requirements, or debt related restrictions. Interest revenue credited to the General fund during 2002 was \$607,277, which includes \$535,983 assigned from other County funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the County are considered to be cash and cash equivalents. Investments with an initial maturity of more than three months, and not purchased from the pool, are reported as investments.

#### **E. Materials and Supplies Inventory**

Inventory is presented at cost on a first-in, first-out basis and is expended/expensed when used. Inventory consists of expendable supplies held for consumption.

#### **F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2002, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

#### **G. Unamortized Issuance Costs/Bond Discounts and Premiums**

For governmental fund types, issuance costs and bond discounts and premiums are recognized in the current period. For proprietary funds, issuance costs and bond discounts and premiums are deferred and amortized or accreted over the term of the bonds using the bonds-outstanding method, which

## OTTAWA COUNTY

### Notes to the General-Purpose Financial Statements For the Year Ended December 31, 2002 (Continued)

approximates the effective interest method. Issuance costs are recorded as deferred charges. Bond discounts and premiums are presented as a reduction of or addition to the face amount of bonds payable, as applicable.

#### H. Restricted Assets

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

#### I. Fixed Assets

The fixed asset values were recorded at original acquisition costs when such information was available. In cases where information supporting original costs was not available, estimated historical costs were used. Donated fixed assets are capitalized at fair market value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements which extend the useful life or increase the capacity or operating efficiency of the asset are capitalized at cost.

##### General Fixed Assets

General fixed assets (fixed assets used in governmental fund type operations) are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in the governmental funds, and the related assets are reported in the general fixed assets account group at historical cost or estimated historical cost. Assets in the general fixed assets account group are not depreciated.

Public domain (infrastructure) general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are not capitalized or reported as these assets are immovable and of value only to the County.

##### Proprietary Fund Fixed Assets

Fixed assets reflected in the proprietary funds are stated at historical cost (or estimated historical cost) and are updated for the cost of additions and reductions during the year. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

<u>Asset Category</u>	<u>Estimated Lives</u>
Buildings	50 years
Improvements Other than Buildings	20 - 50 years
Water and Sewer Lines	50 years
Equipment	5 - 20 years
Vehicles	5 years

Capitalization of Interest. Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The County's policy is to capitalize net interest on construction projects until substantial completion of the



## OTTAWA COUNTY

### Notes to the General-Purpose Financial Statements For the Year Ended December 31, 2002 (Continued)

project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project from the date of borrowing until completion of the project and the interest earned from the temporary investment of the debt proceeds over the same period. Capitalized interest is amortized on a straight-line basis over the estimated useful life of the asset. For 2002, there were no capitalized interest costs incurred on proprietary fund construction projects.

#### Riverview Industries Fixed Assets

Fixed assets are recorded at cost. Donated fixed assets are recorded at fair market value on the date donated. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

<u>Asset Category</u>	<u>Estimated Lives</u>
Buildings	3 years
Furniture and Fixtures	3 years
Equipment	3 years
Vehicles	3 years

#### **J. Interfund Assets and Liabilities**

Short-term interfund loans are classified as "Interfund Receivables/Payables". Transactions between individual funds for goods provided or services rendered are classified as "Due from/to Other Funds".

#### **K. Compensated Absences**

County employees earn vacation and sick leave at varying rates depending on length of service and department policy. Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the County will compensate the employees for the benefits through paid time off or some other means. All accumulated unused vacation time is paid upon separation if the employee has at least one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the County has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits specified in the County's termination policy. The County records a liability for accumulated unused sick leave for all employees after fifteen years of service with the County.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

#### **L. Accrued Liabilities and Long-Term Obligations**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences

## OTTAWA COUNTY

### Notes to the General-Purpose Financial Statements For the Year Ended December 31, 2002 (Continued)

and contractually required pension contributions that will be paid from governmental funds are reported as liabilities in the general long-term obligations account group to the extent that they will not be paid with current available expendable resources. Payments made more than thirty days after year end are generally considered not to have been paid with current available expendable resources. Long-term notes, bonds, loans, and capital leases are reported as liabilities in the general long-term obligations account group until due.

Long-term debt and other obligations financed by the proprietary funds are reported as liabilities in the appropriate proprietary fund.

#### **M. Contributed Capital**

Contributed capital represents resources from other funds, other governments, and private sources provided to the enterprise funds prior to 2001 that is not subject to repayment. These assets are recorded at their fair market value on the date donated.

Capital contributions received from other governments and private sources subsequent to 2001 are recorded as revenues and retained earnings. Capital contributions from other funds continue to be reported as contributed capital.

#### **N. Reserves of Fund Equity**

The County records reservations for portions of fund balance which are legally segregated for specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves have been established for loans receivable, unclaimed monies, and encumbrances.

#### **O. Interfund Transactions**

Quasi-external transactions are accounted for as revenues and expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

#### **P. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

#### **Q. Total Columns on General Purpose Financial Statements**

Total columns on the general purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been

## OTTAWA COUNTY

### Notes to the General-Purpose Financial Statements For the Year Ended December 31, 2002 (Continued)

made in the aggregation of this data. When the title of a statement indicates that a component unit is included, two total columns are presented. The first is captioned "Primary Government" to indicate that only those activities that comprise the County's legal entity have been included. The second is captioned "Reporting Entity" and includes the activity and operations of the County's legally separate discretely presented component unit (Note 1). Total columns on statements which do not include a component unit have no additional caption.

#### NOTE 3 - CORRECTION OF ERROR AND RESTATEMENT OF PRIOR YEAR FUND EQUITY

In prior years, the County did not record their investment in manuscript bonds. Correction of this error resulted in an increase in fund balance in the General fund of \$22,800, from \$4,815,835 to \$4,838,635 as of December 31, 2001.

In prior years, the County recorded a liability for an Ohio Water Development Authority loan based upon an estimated amortization schedule. The project was completed in 2002 and a final amortization schedule was provided. In addition, the County had two trustee accounts that had not been previously recorded. These corrections resulted in an increase in retained earnings of \$213,291, from \$62,898,423 to \$63,111,714, in the enterprise funds as well as an increase in cash and cash equivalents with fiscal agents and a decrease in OWDA loans payable, in the amount of \$136,595 and \$76,696, respectively, as of December 31, 2001.

As of December 31, 2001, fixed assets reported in the general fixed asset account group increased \$1,289,032, from \$26,216,694 to \$27,505,726, due to errors recorded in prior years.

#### NOTE 4 - ACCOUNTABILITY AND COMPLIANCE

##### A. Accountability

The following funds had deficit fund balances/retained earnings at December 31, 2002.

<u>Fund Type/Fund</u>	<u>Deficit</u>
Special Revenue Funds:	
Ditch Maintenance	\$ 3,780
DOJ	2,213
Hazard Mitigation	15,972
Ditch Cleaning	2,590
Common Pleas Computer	4,597
CDBG	30,549
Capital Projects Funds:	
Roose Ditch	10,203
Lohrbach Ditch	13,938
August Kutzner Ditch	29,077
Winters Ditch	114,459
Locust Point Pump Drainage	113,081
Enterprise Fund:	
Portage Catawba Water	288,845
Internal Service Fund:	
Self Insurance	824,007

**OTTAWA COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Year Ended December 31, 2002  
(Continued)**

The General fund provides transfers to cover deficit balances in the special revenue and capital projects funds; however, this is done when cash is needed rather than when accruals occur.

The deficit retained earnings in the Portage Catawba Water enterprise fund is a result of operating losses in prior years and continuing in 2002. The County has not addressed this issue.

The deficit retained earnings in the Self Insurance internal service fund is the result of accumulated operating losses from prior years. The County has increased the premiums charged by the Self Insurance fund on January 1, 2003.

**B. Compliance**

The following accounts had expenditures plus encumbrances in excess of appropriations for the year ended December 31, 2002.

	Appropriations	Expenditures Plus Encumbrances	Excess
General Fund:			
Auditor	\$ 314,562	\$ 350,258	\$ (35,696)
Other Financing Uses	497,493	508,434	(10,941)
Operating Transfers - Out	1,053,545	1,569,093	(515,548)
Special Revenue Funds:			
Reclaim Ohio			
Judicial	153,340	168,392	(15,052)
Debt Service Fund:			
General Obligation Bond Retirement			
Other	-	3,785	(3,785)
Enterprise Fund:			
County Home			
Other Expenses	4,600	13,584	(8,984)

Contrary to § 5705.41 (D) of the Ohio Revised Code, the County had not properly certified the availability of funds prior to incurring expenditures.

**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual - All Governmental Fund Types and the Combined Statement of Revenues, Expenses, and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual - All Proprietary Fund Types are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

**OTTAWA COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Year Ended December 31, 2002  
(Continued)**

2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year end encumbrances are treated as expenditures/expenses (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis). Material encumbrances are disclosed in the notes for proprietary fund types (GAAP basis).
4. For proprietary funds, the acquisition and construction of fixed assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Although not part of the appropriated budget, the Commissary special revenue fund and Riverview Industries are included as part of the reporting entity when preparing financial statements that conform with GAAP.

Adjustments necessary to convert the results of operations at the end of the year on the GAAP basis to the budget basis are as follows:

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types				
	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$ (589,929)	\$ 370,144	\$ 753	\$ 2,487,500
<u>Increase (Decrease) Due To:</u>				
Revenue Accruals:				
Accrued 2001, Received in Cash 2002	841,730	447,505	8,190	1,266
Accrued 2002, Not Yet Received in Cash	(460,775)	(650,730)	(8,398)	(980)
Expenditure Accruals:				
Accrued 2001, Paid in Cash 2002	(747,892)	(1,012,001)	-	(411,350)
Accrued 2002, Not Yet Paid in Cash	601,223	880,443	712	451,058
Cash Adjustments:				
Unrecorded Activity 2001	270,237	546,188	-	-
Unrecorded Activity 2002	(142,654)	(61,844)	-	-
Materials and Supplies Inventory	(22,911)	(79,173)	-	-
Prepays Items	(3,775)	(2,399)	-	-
Note Principal Retirement	-	-	(3,750,000)	-
Note Receivable:				
New Loans	-	(34,969)	-	-
Repayments	8,451	-	-	-
Special Assessments	-	-	1,328,027	-
Advances - In	1,667,315	332,259	127,491	280,758
Advances - Out	(1,688,750)	(455,221)	(89,406)	(283,107)
Excess of Revenues (Over) Under Expenditures for Nonbudgeted Funds	(12,068)	41,239	-	-
Reallocation of Debt Activity:				
Notes Payable	(457,266)	-	3,750,000	(3,292,734)
Special Assessment Bonds	-	-	(1,328,027)	-
Encumbrances Outstanding at Year End (Budget Basis)	(608,587)	(1,015,922)	(712)	(1,058,967)
Budget Basis	\$ (1,345,651)	\$ (694,481)	\$ 38,630	\$ (1,826,556)

**OTTAWA COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Year Ended December 31, 2002  
(Continued)**

Net Income/Excess of Revenues Over (Under)  
Expenses, Advances, and Transfers  
All Proprietary Fund Types

	Enterprise	Internal Service
GAAP Basis	\$ 1,302,752	\$ 66,816
<u>Increase (Decrease) Due To:</u>		
Revenue Accruals:		
Accrued 2001, Received in Cash 2002	1,407,519	2,112
Accrued 2002, Not Yet Received in Cash	(2,118,455)	(221)
Expense Accruals:		
Accrued 2001, Paid in Cash 2002	(1,991,370)	(793,074)
Accrued 2002, Not Yet Paid in Cash	2,573,459	899,999
Cash Adjustments:		
Unrecorded Activity 2001	12,062	-
Unrecorded Activity 2002	(94,564)	-
Materials and Supplies Inventory	70,538	-
Prepaid Items	(2,177)	-
Depreciation Expense	3,291,973	-
Loss on Disposal of Fixed Assets	59,860	-
Acquisition of Fixed Assets	(634,050)	-
Capital Contributions	(343,170)	-
General Obligation Bond Retirement	(435,600)	-
General Obligation Revenue Bond Retirement	(545,000)	-
Ohio Water and Sewer Loan Retirement	(37,253)	-
OWDA Loan Retirement	(1,661,964)	-
OPWC Loan Retirement	(40,303)	-
OEPA Loan Retirement	(115,996)	-
Proceeds of Notes	500,000	-
Special Assessments	(1,328,027)	-
Advances - In	424,771	92,016
Advances - Out	(213,157)	(194,969)
Reallocation of Debt Activity		
Special Assessment Bonds	1,963,616	-
Encumbrances Outstanding at Year End (Budget Basis)	(2,392,588)	(9,784)
Budget Basis	\$ (347,124)	\$ 62,895

**NOTE 6 - DEPOSITS AND INVESTMENTS**

**A. Primary Government**

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

Monies held by the County which are not considered active are classified as inactive. Inactive monies can be deposited or invested in the following securities:

## OTTAWA COUNTY

### Notes to the General-Purpose Financial Statements For the Year Ended December 31, 2002 (Continued)

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 Association, 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 its political subdivisions provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in 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);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2), or cash, or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed 5 percent of the County's total average portfolio; and
10. Bankers acceptances for a period not to exceed two hundred seventy days and in an amount not to exceed 10 percent of the County's total average portfolio.

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

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**OTTAWA COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Year Ended December 31, 2002  
(Continued)**

At year end, the County had \$243,581 in cash on hand which is included on the combined balance sheet of the County as part of "Equity in Pooled Cash and Cash Equivalents".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

At year end, the carrying amount of the County's deposits was \$1,741,533 and the bank balance was \$3,524,469. Of the bank balance, \$744,594 was covered by federal depository insurance and \$2,779,875 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

The County's investments are categorized to give an indication of the level of risk assumed by the County at year end. Category 1 includes investments that are insured or registered for which the securities are held by the County or by the County's agent in the County's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the County's name. STAR Ohio and mutual funds are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Category 1	Fair Value
Ottawa County Bonds	\$ 20,500	\$ 20,500
STAR Ohio		29,705,955
Mutual Funds		1,094,144
		\$ 30,820,599

The classification of cash and cash equivalents and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting". A reconciliation between the classification of cash and cash equivalents and investments on the combined balance sheet and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$ 32,805,713	\$ -
Cash on Hand	(243,581)	-
Ottawa County Bonds	(20,500)	20,500
STAR Ohio	(29,705,955)	29,705,955
Mutual Funds	(1,094,144)	1,094,144
GASB Statement No. 3	\$ 1,741,533	\$ 30,820,599



## OTTAWA COUNTY

### Notes to the General-Purpose Financial Statements For the Year Ended December 31, 2002 (Continued)

#### B. Component Unit

The carrying amount of Riverview Industries deposits at year end was \$259,452 and the bank balance was \$231,772. Of the bank balance, \$228,963 was covered by federal depository insurance and \$2,809 was uninsured and uncollateralized. There are no significant statutory restrictions regarding the deposit and investment of funds by the not-for-profit corporation.

#### NOTE 7 - PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the County. Real property tax revenues received in 2002 represent the collection of 2001 taxes. Real property taxes were levied in 2002 after October 1, 2002, on the assessed values as of January 1, 2002, the lien date. These taxes will be collected in and are intended to finance 2003 operations. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. All property is required to be revalued every six years. The last revaluation was completed in 2000. Real property taxes are payable annually or 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 real and tangible personal property taxes were levied in 2002 after October 1, 2002, on the assessed values as of December 31, 2001, the lien date. These taxes will be collected in and are intended to finance 2003 operations. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in 2002 (other than public utility property) represent the collection of 2002 taxes. Tangible personal property taxes received in 2002 were levied after October 1, 2001, on the true value as of December 31, 2001. Tangible personal property is currently assessed at 25 percent of true value for equipment and 24 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. The first payment is due April 30, with the remainder payable by September 20.

The County Treasurer collects property taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to the taxing districts their portion of the taxes collected. The collection and distribution of taxes for the County and for all subdivisions within the County is accounted for through agency funds. The amount of the County's tax collections which will flow through an agency fund is reported as "Taxes Receivable" on the combined balance sheet in both the agency fund and the governmental fund which will receive the tax distribution.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of December 31, 2002, and for which there was an enforceable legal claim. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31 and are not intended to finance 2002 operations.

The full tax rate for all County operations the year ended December 31, 2002, was \$5.70 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2002 property tax receipts were based are as follows:

**OTTAWA COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Year Ended December 31, 2002  
(Continued)**

Real Property:	
Residential/Agricultural	\$ 851,915,100
Commercial/Industrial/Mineral	207,717,280
Public Utility Property:	
Real	389,580
Personal	101,361,680
Tangible Personal Property	<u>139,756,010</u>
Total Assessed Value	<u>\$1,301,139,650</u>

**NOTE 8 - PERMISSIVE SALES AND USE TAX**

The County Commissioners, by resolution, imposed a 1 percent tax on all retail sales made in the County, except sales of motor vehicles, and on the storage, use, or consumption of tangible personal property in the County, including motor vehicles not subject to the sales tax. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies, to the State Auditor, the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of each month. The State Auditor then has five days in which to draw the warrant payable to the County.

**NOTE 9 - RECEIVABLES**

Receivables at December 31, 2002, consisted of taxes; special assessments; accounts (e.g., billings for user charged services); interfund; accrued interest; loans; services charged to other funds; and intergovernmental receivables arising from grants, entitlements, and shared revenues. All receivables are considered fully collectible, except for the County Home. These receivables are presented net of an allowance for uncollectible accounts.

	<u>Enterprise</u>
Gross Accounts Receivable	\$ 1,144,510
Less Allowance for Uncollectible Accounts	<u>(258,779)</u>
Net Accounts Receivable	<u>\$ 885,731</u>

Receivables recorded on the County's financial statements are recorded to the extent the amounts are determined material and substantiated, not only by supporting documentation but also by a reasonable systematic method of determining their existence, completeness, valuation, and collectability. Using these criteria, the County has elected to not record child support arrearages in the agency funds. These amounts, while potentially significant, are not considered measurable and, because collections are often significantly in arrears, the County is unable to determine a reasonable value.

A summary of the principal items of intergovernmental receivables follows:

**OTTAWA COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Year Ended December 31, 2002  
(Continued)**

	Amount
General Fund:	
Local Government	\$ 385,667
Local Government Revenue Assistance	83,339
Homestead and Rollback	110,488
Estate Tax	1,133
Erie County	23,322
State of Ohio	5,648
Total General Fund	609,597
Special Revenue Funds:	
MVGT	
Gasoline Tax	693,701
Motor Vehicle License Tax	680,650
Permissive Motor Vehicle License Tax	222,421
Village of Put-In-Bay	1,500
Human Services	
ADC Incentive	30,414
State of Ohio	106,068
MRDD	
Unit Funding	122,385
Homestead and Rollback	114,414
CAFS	105,655
Children's First	
Ohio Children's Trust	5,000
Children's Services	
State Child Protection	120,812
Title VI-B	37,711
Family Preservation	5,828
Family Reunification	1,688
Title XX	11,407
Adoption Incentive	225
State of Ohio	8,418
Hazard Mitigation	
Hazard Mitigation Grant	3,035
Children Support Enforcement Agency	
Administration Fees	10,334
OCTA	
Transportation	6,694
County City Complex	
City of Port Clinton	121
CHIP/HOME	
CHIP Grant	116
Reclaim Ohio	
Reclaim Ohio	97,069
CDBG Revolving Loan	
CDBG Grant	793

(Continued)

**OTTAWA COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Year Ended December 31, 2002  
(Continued)**

	Amount
Litter Prevention	
Recycle Grant	7,555
Municipal Court Corrections	
Municipal Court Corrections Grant	23,431
Victims of Crimes	
Victims of Crimes Grant	22,824
State Victims Assistance	5,768
Total Special Revenue Funds	2,446,037
 Debt Service Fund:	
General Obligation Bond Retirement	
Homestead and Rollback	8,959
USDA - Farm Service Agency	3,175
Total Debt Service Fund	12,134
 Enterprise Funds:	
County Home	
Homestead and Rollback	26,001
Medicare	565,014
Medicaid	492,233
Regional Water	
OPWC Grant	99,905
Sewer District #13	
OPWC Grant	21,529
Total Enterprise Funds	1,204,682
 Agency Funds	
Library Local Government	782,477
Local Government	426,262
Local Government Revenue Assistance	92,111
Gasoline Tax	301,196
Motor Vehicle License Tax	155,987
Permissive Motor Vehicle License Tax	34,906
Total Agency Funds	1,792,939
Total All Funds	<b>\$ 6,065,389</b>

**NOTE 10 - LOANS RECEIVABLE**

A summary of the changes in loans receivable during 2002 follows:

**OTTAWA COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Year Ended December 31, 2002  
(Continued)**

	Balance	New		Balance
	37,256	Loans	Repayments	37,621
General Fund:				
Airport	\$ 434,706	\$ -	\$ 8,451	\$ 426,255
Fair Board	60,000	-	-	60,000
Total General Fund	<u>494,706</u>	<u>-</u>	<u>8,451</u>	<u>486,255</u>
Special Revenue Funds:				
CHIP/HOME	322,126	34,969	-	357,095
CDBG Revolving Loan	93,511	-	-	93,511
Total Special Revenue Funds	<u>415,637</u>	<u>34,969</u>	<u>-</u>	<u>450,606</u>
Total Loans Receivable	<u>\$ 910,343</u>	<u>\$ 34,969</u>	<u>\$ 8,451</u>	<u>\$ 936,861</u>

**NOTE 11 - FIXED ASSETS**

A summary of the enterprise funds' and Riverview Industries' fixed assets at December 31, 2002, follows:

	County Home	Danbury Sewer Operations	Portage Catawba Water	Regional Water	Catawba Portage Sewer	Woodland Estates	Total Primary Government	Component Unit
Land	\$ -	\$ 674,035	\$ -	\$ 929,874	\$ 2,704,067	\$ 90,693	\$ 4,398,669	\$ -
Buildings	6,700,083	589,091	-	3,352,816	3,107,970	-	13,749,960	26,057
Improvements Other than Buildings	-	2,728,634	-	9,052,590	5,944,012	764,457	18,489,693	-
Water and Sewer Lines	-	25,686,810	-	46,299,471	20,224,743	2,071,928	94,282,952	-
Furniture and Fixtures	-	-	-	-	-	-	-	43,187
Equipment	1,697,937	1,961,924	90,368	11,080,479	8,618,234	768,312	24,217,254	38,186
Vehicles	115,899	140,742	58,676	291,023	170,210	-	776,550	54,274
Construction in Progress	-	-	-	250,155	-	-	250,155	-
	<u>8,513,919</u>	<u>31,781,236</u>	<u>149,044</u>	<u>71,256,408</u>	<u>40,769,236</u>	<u>3,695,390</u>	<u>156,165,233</u>	<u>161,704</u>
Less Accumulated Depreciation	<u>(5,705,996)</u>	<u>(9,733,895)</u>	<u>(77,212)</u>	<u>(5,180,104)</u>	<u>(9,595,945)</u>	<u>(664,034)</u>	<u>(30,957,186)</u>	<u>(84,864)</u>
Net Fixed Assets	<u>\$ 2,807,923</u>	<u>\$22,047,341</u>	<u>\$ 71,832</u>	<u>\$66,076,304</u>	<u>\$31,173,291</u>	<u>\$ 3,031,356</u>	<u>\$125,208,047</u>	<u>\$ 76,840</u>

A summary of the changes in general fixed assets during 2002 follows:

	Balance 12/31/01	Additions	Reductions	Balance 12/31/02
Land	\$ 1,241,977	\$ -	\$ -	\$ 1,241,977
Buildings	13,676,059	-	-	13,676,059
Improvements Other than Buildings	281,439	-	-	281,439
Equipment	6,004,359	552,592	348,637	6,208,314
Vehicles	3,543,067	394,605	1,053,826	2,883,846
Construction in Progress	2,758,825	2,118,184	-	4,877,009
Total	<u>\$27,505,726</u>	<u>\$ 3,065,381</u>	<u>\$ 1,402,463</u>	<u>\$29,168,644</u>

**OTTAWA COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Year Ended December 31, 2002  
(Continued)**

**NOTE 12 - INTERFUND ASSETS AND LIABILITIES**

Interfund balances at December 31, 2002, consisted of the following individual fund receivables and payables:

Fund Type/Fund	Receivable		Payable	
	Interfund	Due from	Interfund	Due to
General Fund	\$ 657,059	\$ 3,212	\$ 15,994	\$ 19,557
Special Revenue Funds				
MVGT	-	227	-	-
Dog	-	-	-	170
Ditch Maintenance	-	-	4,243	-
Human Services	-	1,186	-	11,726
MRDD	-	-	-	2,527
DOJ	-	-	4,669	-
DARE	-	4,900	-	-
Youth Services	-	-	-	19,249
Children's' First	-	19,249	-	-
Hazard Mitigation	-	-	31,968	-
OCTA	-	6,952	-	-
Ditch Cleaning	-	-	2,590	-
Common Pleas Computer	-	-	5,648	-
CDBG Revolving Loan	-	-	58,830	-
Radio Tower	181	-	-	-
Litter Prevention	-	-	-	3,212
Victims of Crimes	-	10,924	-	-
911	631	-	-	-
Total Special Revenue Funds	812	43,438	107,948	36,884
Debt Service Funds				
General Obligation Bond Retirement	7	5,080	32,877	-
Special Assessment Bond Retirement	9	-	16,625	-
BANS Debt Service	127	-	-	-
Total Debt Service Funds	143	5,080	49,502	-
Capital Projects Funds				
Veterans Memorial Building	533	-	-	-
Roose Ditch	-	-	10,203	-
Lohrbach Ditch	-	-	13,938	-
August Kutzner Ditch	-	-	29,077	-
Winters Ditch	-	-	114,459	-
Technical Center	447	-	-	-
Locust Point Pump Drainage	-	-	113,081	-
Total Capital Projects Funds	980	-	280,758	-

(Continued)

**OTTAWA COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Year Ended December 31, 2002  
(Continued)**

Fund Type/Fund	Receivable		Payable	
	Interfund	Due from	Interfund	Due to
<b>Enterprise Funds</b>				
County Home	1,065	-	-	265
Danbury Sewer Operations	3,926	-	-	-
Regional Water	6,862	320	51,944	-
Catawba Portage Sewer	1,906	-	80,124	-
Sewer District #13	36	-	84,458	-
Erie Township Sewer Planning	10	-	-	-
Salem Reserve	33	-	-	-
<b>Total Enterprise Funds</b>	<b>13,838</b>	<b>320</b>	<b>216,526</b>	<b>265</b>
<b>Internal Service Fund</b>				
Self Insurance	221	-	2,325	-
<b>Agency Funds</b>				
Soil and Water Conservation District	-	-	-	5,080
Board of Health	-	10,056	-	320
<b>Total Agency Funds</b>	<b>-</b>	<b>10,056</b>	<b>-</b>	<b>5,400</b>
<b>Total All Funds</b>	<b>\$ 673,053</b>	<b>\$ 62,106</b>	<b>\$ 673,053</b>	<b>\$ 62,106</b>

**NOTE 13 - RISK MANAGEMENT**

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2002, the County contracted with the County Risk Sharing Authority, Inc. (CORSA) for insurance coverage. The CORSA program has a \$2,500 deductible. Coverage provided by CORSA is as follows:

General Liability	\$ 100,000,000
Employee Benefit Liability	6,000,000
Law Enforcement Professional Liability	6,000,000
Public Officials Errors and Omissions Liability	6,000,000
Automobile Liability	6,000,000
Uninsured Motorists Liability	250,000
Ohio Stop Gap (Additional Workers' Compensation Coverage)	1,000,000
Building and Contents	86,488,545
Other Property Insurance:	
Extra Expense	1,000,000
Contractors Equipment	1,390,413
Valuable Papers and Records	1,000,000
Watercraft	715,005
Miscellaneous Floaters	82,900
Automobile Physical Damage	Actual Cash Value
Flood and Earthquake	100,000,000

**OTTAWA COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Year Ended December 31, 2002  
(Continued)**

Comprehensive Boiler and Machinery	100,000,000
Crime Insurance:	
Faithful Performance	1,000,000
Money and Securities	1,000,000
Depositor's Forgery	1,000,000
Money Order and Counterfeit Paper	1,000,000

There has been no significant reduction in insurance coverage from 2001, and settled claims have not exceeded this coverage in the past three years.

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

The County provides employee medical coverage through a self insured program. The County established a Self Insurance fund (an internal service fund) to account for and finance employee health benefits. Under this program, the Self Insurance fund provides coverage up to a maximum of \$125,000 for each individual. The County purchases commercial insurance for claims in excess of coverage provided by the fund and for all other risks of loss. Settled claims have not exceeded this commercial coverage in the past three years.

All funds of the County participate in the program and make payments to the Self Insurance fund based on actuarial estimates of the amounts needed to pay prior- and current-year claims. Claims payable is based on the requirements of Governmental Accounting Standards Board Statement No. 30, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Claims payable at December 31, 2002, was estimated by the third party administrator at \$897,674.

The changes in the claims liability for 2002 and 2001 were:

Year	Beginning Balance	Current-Year Claims and Changes in Estimates	Claims Payments	Ending Balance
2002	\$ 793,074	\$ 2,775,116	\$ 2,670,516	\$ 897,674
2001	220,609	3,059,395	2,486,930	793,074

**NOTE 14 - SIGNIFICANT CONTRACTUAL COMMITMENTS**

The County had the following contractual commitments outstanding as of December 31, 2002:



**OTTAWA COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Year Ended December 31, 2002  
(Continued)**

<u>Contractor</u>	<u>Commitment</u>	<u>Remaining Balance</u>
Poggemeyer Design Group	\$ 1,578,915	\$ 1,093,573
Underground Utilities	490,189	490,189
D & G Focht	764,434	625,772

**NOTE 15 - DEFINED BENEFIT PENSION PLANS**

All County employees participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple employer defined benefit pension plan administered by the Ohio Public Employees Retirement Board. OPERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members, other than those engaged in law enforcement, are required to contribute 8.5 percent of their annual covered salary to fund pension obligations and the County is required to contribute 13.55 percent; 8.5 percent was the portion used to fund pension obligations. For law enforcement employees, the employee contribution is 10.1 percent of their annual covered salary for sheriffs and deputy sheriffs and 9 percent for all other members of the law enforcement program. (The law enforcement program has two divisions; (1) sheriffs, deputy sheriffs, and township police and (2) the public safety division made up of all other members of the law enforcement program.) The employer contribution for all law enforcement employees is 16.7 percent; 11.7 percent was the portion used to fund pension obligations. Contributions are authorized by State statute. The contribution rates are determined actuarially. The County's contributions to OPERS for the years ended December 31, 2002, 2001, and 2000, were \$1,504,002, \$1,694,909, and \$1,943,512, respectively; 75 percent has been contributed for 2002 and 100 percent has been contributed for 2001 and 2000. The unpaid contribution for 2002 is recorded as a liability in the respective funds and the general long-term obligations account group.

**NOTE 16 - POSTEMPLOYMENT BENEFITS**

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. Health care coverage for disability and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employers". A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care based on authority granted by State statute. The employer contribution rate for 2002 was 13.55 percent of covered payroll for employees not engaged in law enforcement; 5 percent was the portion used to fund health care. The employer contribution rate for law enforcement employees for 2002 was 16.7 percent; 5 percent was used to fund health care.

Benefits are advance funded using the entry age normal cost method. Significant actuarial assumptions include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually, and an additional increase in total payroll of .5 percent to 6.3 percent based on additional pay increases. Health care premiums were assumed to increase 4 percent annually.

**OTTAWA COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Year Ended December 31, 2002  
(Continued)**

OPEB are financed through employer contributions and investment earnings. 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.

At December 31, 2002, the total number of benefit recipients eligible for OPEB through OPERS was 402,041. As of December 31, 2001, the actuarial value of net assets available for future OPEB payments was \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$16.4 billion and \$4.8 billion, respectively. The County's actual contributions for 2002 which were used to fund OPEB were \$841,887.

**NOTE 17 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

County employees earn vacation and sick leave at varying rates depending on length of service and department policy. Currently, employees are not permitted to accrue or carry over more than the equivalent of three year's vacation leave. All accumulated unused vacation is paid upon separation from the County.

The County's current severance policy was established in August 1997. Pre-August 1997 employees had the option to choose the old or new policy. Employees hired after August 1997 must use the new policy.

The pre-August 1997 policy provides for employees to receive the greater of 25 percent of their accumulated unused sick leave up to a maximum of thirty days or a set number of days corresponding to their years of service. The post-August 1997 policy provides for employees to receive from 25-50 percent of their accumulated unused sick leave based on years of service.

**B. Employee Health Insurance**

Ottawa County provides employee medical benefits through a self insured program. The employees share the cost of the monthly premium with the County. The premium varies with each employee depending on marital and family status. Coverage is provided up to a maximum of \$125,000 per individual. The County purchases commercial insurance for claims in excess of this coverage. All claims under the plan are administered by the County's third-party administrator.

**NOTE 18 - SHORT-TERM OBLIGATIONS**

The changes in the County's short-term obligations during 2002 were as follows:

	Interest Rate	Balance 12/31/01	Additions	Reductions	Balance 12/31/02
<u>Bond Anticipation Notes</u>					
General Fund					
2001 Airport Improvement	2.24%	\$ 457,266	\$ -	\$ 457,266	\$ -
2002 Airport Improvement	1.98%	-	645,000	645,000	-
		457,266	645,000	1,102,266	-

(Continued)

**OTTAWA COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Year Ended December 31, 2002  
(Continued)**

	Interest Rate	Balance 12/31/01	Additions	Reductions	Balance 12/31/02
Capital Projects Fund					
2001 Community Resource Center	2.24%	3,292,734	-	3,292,734	-
Enterprise Fund					
2002 Water System Improvement	1.98%	-	500,000	-	500,000
<b>Total Bond Anticipation Notes</b>		<b><u>\$ 3,787,256</u></b>	<b><u>\$ 1,145,000</u></b>	<b><u>\$ 4,395,000</u></b>	<b><u>\$ 537,621</u></b>

According to Ohio law, notes can be issued in anticipation of bond proceeds, special assessment bond proceeds and levies, or for up to 50 percent of anticipated revenue collections. The liability is presented in the fund receiving the proceeds. The County's bond anticipation notes are supported by the full faith and credit of Ottawa County and have a maturity of one year.

**NOTE 19 - LONG-TERM OBLIGATIONS**

The changes in the County's long-term obligations during 2002 were as follows:

	Interest Rate	Balance 12/31/01	Additions	Reductions	Balance 12/31/02
<b>General Long-Term Obligations</b>					
General Obligation Bond Anticipation Notes					
2001 Various Purpose	3.75%	\$ 1,095,000	\$ -	\$ 1,095,000	\$ -
2002 Various Purpose	1.74%	-	4,345,000	-	4,345,000
2002 Brush Wellman Improvement	1.99%	-	300,000	-	300,000
<b>Total General Obligation Bond Anticipation Notes</b>		<b><u>1,095,000</u></b>	<b><u>4,645,000</u></b>	<b><u>1,095,000</u></b>	<b><u>4,645,000</u></b>
<b>General Obligation Bonds</b>					
1994 Various Purpose Bonds					
Industrial Park Improvement	3.0-5.95%	700,000	-	25,000	675,000
Airport Improvement	3.0-5.95%	515,000	-	20,000	495,000
County/City Complex	3.0-5.95%	1,405,000	-	50,000	1,355,000
<b>Total 1994 Various Purpose Bonds</b>		<b><u>2,620,000</u></b>	<b><u>-</u></b>	<b><u>95,000</u></b>	<b><u>2,525,000</u></b>
1998 Various Improvement Bonds					
Welfare Building Refunding	4.25-5.5%	169,000	-	12,000	157,000
Agriculture Building	4.25-5.5%	975,000	-	65,000	910,000
<b>Total 1998 Various Improvement Bonds</b>		<b><u>1,144,000</u></b>	<b><u>-</u></b>	<b><u>77,000</u></b>	<b><u>1,067,000</u></b>
1984 Courthouse Construction					
1984 Courthouse Construction	9.75%	75,000	-	25,000	50,000
1984 Detention Facility					
1984 Detention Facility	9.75%	85,000	-	30,000	55,000
1984 Welfare					
1984 Welfare	9.75%	95,000	-	15,000	80,000
<b>Total General Obligation Bonds</b>		<b><u>4,019,000</u></b>	<b><u>-</u></b>	<b><u>242,000</u></b>	<b><u>3,777,000</u></b>

(Continued)

## OTTAWA COUNTY

### Notes to the General-Purpose Financial Statements For the Year Ended December 31, 2002 (Continued)

	Interest Rate	Balance 12/31/01	Additions	Reductions	Balance 12/31/02
<b>OWDA Loans</b>					
OWDA Dani-Donn	5.54%	44,154	-	1,560	42,594
OWDA/OEPA Regional Water	4.02%	17,034,704	-	635,589	16,399,115
<b>Total OWDA Loans</b>		<u>17,078,858</u>	<u>-</u>	<u>637,149</u>	<u>16,441,709</u>
<b>Special Assessment Bonds</b>					
Sun Valley	7.00%	50,000	-	10,000	40,000
Lake in the Woods Refunding	4.25-5.5%	141,000	-	22,000	119,000
Catawba Sewer Refunding	4.25-5.5%	6,435,000	-	525,000	5,910,000
SR 163 Refunding	4.25-5.5%	159,000	-	12,000	147,000
Route 269 Sewer Refunding	4.25-5.5%	53,000	-	4,000	49,000
LaCarne Water	7.00%	22,800	-	2,300	20,500
Gypsum Sewer	4.50%	78,900	-	5,600	73,300
Perryview Estates Plat 5 & 6	6.13%	122,659	-	3,714	118,945
<b>Total Special Assessment Bonds</b>		<u>7,062,359</u>	<u>-</u>	<u>584,614</u>	<u>6,477,745</u>
<b>Other Long-Term Obligations</b>					
Compensated Absences Payable		1,096,612	69,927	-	1,166,539
Due to Other Governments		6,703	334,505	6,703	334,505
Capital Leases Payable		7,854	10,833	3,875	14,812
<b>Total Other Long-Term Obligations</b>		<u>1,111,169</u>	<u>415,265</u>	<u>10,578</u>	<u>1,515,856</u>
<b>Total General Long-Term Obligations</b>		<u><b>30,366,386</b></u>	<u><b>5,060,265</b></u>	<u><b>2,569,341</b></u>	<u><b>32,857,310</b></u>
<b>Enterprise Fund Obligations</b>					
<b>General Obligation Bonds</b>					
<b>County Home</b>					
Health Care Facility	9.75%	300,000	-	100,000	200,000
County Home Improvement	4.25%	3,570,000	-	195,000	3,375,000
County Home Refunding	4.25%	654,000	-	56,000	598,000
<b>Regional Water</b>					
Rural Development	4.75%	1,952,300	-	25,600	1,926,700
<b>Portage Catawba Water</b>					
1998 Various Purpose Refunding	4.25%	290,000	-	24,000	266,000
<b>Catawba Portage Sewer</b>					
1998 Sanitary Sewer Refunding	5.00%	4,504,132	-	-	4,504,132
(addition represents bond premium)		-	18,362	-	18,362
Chemical Dosing Station	4.70%	250,000	-	10,000	240,000
1998 Various Purpose Refunding	4.25%	349,000	-	25,000	324,000
<b>Total General Obligation Bonds</b>		<u>11,869,432</u>	<u>18,362</u>	<u>435,600</u>	<u>11,452,194</u>

(Continued)

## OTTAWA COUNTY

### Notes to the General-Purpose Financial Statements For the Year Ended December 31, 2002 (Continued)

	Interest Rate	Balance 12/31/01	Additions	Reductions	Balance 12/31/02
General Obligation Revenue Bonds					
Danbury Sewer Operations					
Sanitary Sewer System Refunding	4.95%	5,061,625	-	415,000	4,646,625
Catawba Portage Sewer					
Sanitary Sewer Revenue Refunding	4.25%	3,080,000	-	130,000	2,950,000
<b>Total General Obligation Revenue Bonds</b>		<b>8,141,625</b>	<b>-</b>	<b>545,000</b>	<b>7,596,625</b>
Ohio Water and Sewer Loans					
Danbury Sewer Operations					
Portage Catawba Water	0.00%	115,858	-	8,574	107,284
Catawba Portage Sewer	0.00%	104,525	-	-	104,525
Regional Water	0.00%	15,985	-	3,309	12,676
Camp Perry Western Road	0.00%	1,097,547	-	25,370	1,072,177
Camp Perry Western Road	0.00%	28,824	-	-	28,824
<b>Total Ohio Water and Sewer Loans</b>		<b>1,362,739</b>	<b>-</b>	<b>37,253</b>	<b>1,325,486</b>
OWDA Loans					
Danbury Sewer Operations					
Regional Water	3.04%	1,053,235	-	51,992	1,001,243
Camp Perry Western Road	2.00%	28,099,715	-	974,149	27,125,566
Camp Perry Western Road	5.74%	17,145	-	234	16,911
<b>Total OWDA Loans</b>		<b>29,170,095</b>	<b>-</b>	<b>1,026,375</b>	<b>28,143,720</b>
OPWC Loans					
Danbury Sewer Operations #CE340					
Danbury Sewer Operations #CE004	4.00%	314,218	-	23,251	290,967
Allen Sewer Operations	0.00%	148,523	-	8,487	140,036
Portage Catawba Hydrogen Sulfide Control	0.00%	20,155	-	1,152	19,003
Portage Catawba Hydrogen Sulfide Control	4.00%	123,571	-	7,413	116,158
<b>Total OPWC Loans</b>		<b>606,467</b>	<b>-</b>	<b>40,303</b>	<b>566,164</b>
OEPA Loans					
Regional Water	4.02%	3,108,856	-	115,996	2,992,860
Other Long Term Obligations					
Compensated Absences Payable		374,281	14,603	-	388,884
<b>Total Enterprise Fund Obligations</b>		<b>54,633,495</b>	<b>32,965</b>	<b>2,200,527</b>	<b>52,465,933</b>
<b>Total Long-Term Obligations</b>		<b>\$ 84,999,881</b>	<b>\$ 5,093,230</b>	<b>\$ 4,769,868</b>	<b>\$ 85,323,243</b>

#### Notes Payable

Bond anticipation notes are supported by the full faith and credit of Ottawa County. The County's long-term bond anticipation notes are presented in the general long-term obligations account group and are payable from unvoted property tax revenues.

#### General Obligation Bonds

General obligation bonds are supported by the full faith and credit of Ottawa County. The general obligation bonds presented as a liability in the general long-term obligations account group are payable from unvoted property tax revenues to the extent that other resources are not available to meet annual principal and interest payments.

**OTTAWA COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Year Ended December 31, 2002  
(Continued)**

1994 Various Improvement Bonds

The bonds maturing on September 1, 2011, are subject to mandatory sinking fund redemption on each September 1, commencing September 1, 2007, at the redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date as follows:

Year	Amount
2007	\$125,000
2008	130,000
2009	140,000
2010	150,000

The remaining principal, in the amount of \$155,000, is payable at stated maturity.

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

Year	Amount
2012	\$165,000
2013	175,000
2014	185,000
2015	200,000
2016	205,000
2017	225,000
2018	235,000

The bonds maturing on September 1, 2005, are subject to optional redemption, in whole or in part, at the option of the County, in inverse order of maturity, in integral multiples of \$5,000 and by lot within a maturity, on any date commencing after September 1, 2004, at the redemption prices set forth below plus accrued interest to the redemption date:

Redemption Dates (Dates Inclusive)	Redemption Prices
September 1, 2004 through August 31, 2005	102%
September 1, 2005 through August 31, 2006	101
September 1, 2006 and thereafter	100

1998 Various Improvement Bonds

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

**OTTAWA COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Year Ended December 31, 2002  
(Continued)**

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

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

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

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

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

The bonds maturing on September 1, 2009, are subject to optional redemption, in whole or in part, at the option of the County, in inverse order of maturity, in integral multiples of \$5,000 and by lot within a maturity, on any date commencing after September 1, 2008, at the redemption prices set forth below plus accrued interest to the redemption date:

Redemption Dates (Dates Inclusive)	Redemption Prices
September 1, 2008 through August 31, 2009	102%
September 1, 2009 through August 31, 2010	101
September 1, 2010 and thereafter	100

## OTTAWA COUNTY

### Notes to the General-Purpose Financial Statements For the Year Ended December 31, 2002 (Continued)

#### Special Assessment Bonds

The special assessment bonds are backed by the full faith and credit of Ottawa County. In the event that an assessed property owner fails to make payments or insufficient amounts are assessed to fund the debt, the County will be required to pay the related debt.

#### Compensated Absences Payable

The compensated absences liability will be paid from the fund from which the employees' salaries are paid.

#### Due to Other Governments

The due to other governments liability, representing the County's contractually required pension contributions, will be paid from the fund from which the employees' salaries are paid.

#### Capital Leases Payable

Capital lease obligations will be paid from the fund that maintains custody of the related asset.

#### Enterprise Funds General Obligation Bonds

The enterprise funds general obligation bonds are liabilities of the County Home, Regional Water, Portage Catawba Water and Catawba Portage Sewer enterprise funds. The bonds pledge the full faith and credit and taxing ability of the County to meet the principal and interest requirements.

#### General Obligation Revenue Bonds

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

#### Danbury Sanitary Sewer System Refunding Bonds

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

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

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



**OTTAWA COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Year Ended December 31, 2002  
(Continued)**

The bonds maturing on October 1, 2003, are subject to mandatory redemption, in whole or in part, at the option of the County, in inverse order of maturity, in integral multiples of \$5,000 and by lot within a maturity, on any date commencing after October 1, 2002, at the redemption prices set forth below plus accrued interest to the date fixed for redemption:

Redemption Dates (Dates Inclusive)	Redemption Prices
October 1, 2002 through September 30, 2003	102%
October 1, 2003 through September 30, 2004	101
October 1, 2004 and thereafter	100

Fund assets, whose use are restricted under the bond indenture, are presented as restricted assets on the balance sheet. Restricted assets relating to the Danbury Sanitary Sewer System Refunding Bonds at December 31, 2002, were as follows:

Restricted Assets Held by the Trustee

Revenue Refunding Bond Current Debt Service	\$116,820
Revenue Refunding Bond Future Debt Service	640,442

Catawba Portage Sanitary Sewer Revenue Refunding Bonds

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

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

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

The bonds maturing September 1, 2009, are subject to mandatory redemption, in whole or in part, at the option of the County, in inverse order of maturity, in integral multiples of \$5,000 and by lot within a maturity, on any date commencing after September 1, 2008, at the redemption prices set forth below plus accrued interest to the redemption date:

## OTTAWA COUNTY

### Notes to the General-Purpose Financial Statements For the Year Ended December 31, 2002 (Continued)

Redemption Dates (Dates Inclusive)	Redemption Prices
September 1, 2008 through August 31, 2009	102%
September 1, 2009 through August 31, 2010	101
September 1, 2010 and thereafter	100

Fund assets, whose use are restricted under the bond indenture, are presented as restricted assets on the balance sheet. Restricted assets relating to the Catawba Portage Sanitary Sewer Revenue Refunding Bonds at December 31, 2002, were as follows:

Restricted Assets Held by the Trustee	
Revenue Refunding Bond Current Debt Service	\$45,399
Revenue Refunding Bond Future Debt Service	291,483

In prior years, the County defeased certain general obligation revenue bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included on the County's financial statements. At December 31, 2002, \$11,915,000 of this debt was still outstanding.

#### Ohio Water and Sewer Loans

The Ohio Water and Sewer Loans were provided to the County for the deferral of special assessment collections on agriculture land. The loan principal is being deferred as long as the land is used for agriculture purposes. If the land is ever used for other than agriculture purposes, the loan is due and payable, the special assessments are then due and collectible by the County, and the monies collected are to be remitted to the Ohio Water and Sewer Rotary Commission (OWSRC) within one year of collection. The loans are non-interest bearing as long as the land is used for agriculture purposes. If the land is ever used for other than agriculture purposes and the required special assessments are not remitted to OWSRC, the loans become interest bearing at an interest rate to be determined by OWSRC.

#### OWDA Loans

OWDA loans consist of money owed to the Ohio Water Development Authority for the Danbury Sewer Operations, Regional Water, and Camp Perry Western Road projects. OWDA loans are payable solely from special assessments and the gross revenues of the regional water operations.

#### OPWC Loans

OPWC loans consist of money owed to the Ohio Public Works Commission for the improvement and replacement of sanitary sewers in the Danbury and Allen Sewer area. OPWC loans are payable solely from the gross revenues of the Danbury Sewer Operations and Woodland Estates enterprise funds.

#### OEPA Loans

OEPA loans consist of money owed to the Ohio Environmental Protection Agency (OEPA) for the Regional Water Project. OEPA loans are payable from revenues from the Regional Water enterprise fund.

**OTTAWA COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Year Ended December 31, 2002  
(Continued)**

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

At December 31, 2002, the County's overall debt margin was \$128,836,691 with an unvoted debt margin of \$63,729,709.

The State Route 269 Water, State Route 163 and 53 Water, PCI Sewer, Regional Water, and Camp Perry Western Road Water projects funded by Ohio Water and Sewer Loans have not been completed. An amortization schedule for the repayment of the loans will not be available until the projects are completed and, therefore, are not included in the following schedule.

Principal and interest requirements to retire general long-term obligations outstanding at December 31, 2002, were as follows:

Year	General Obligation Bonds		OWDA Loans		Special Assessment Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2003	\$ 252,000	\$ 215,072	\$ 663,042	\$ 655,024	\$ 608,945	\$ 304,487
2004	257,000	199,761	689,989	628,077	629,090	278,176
2005	207,000	184,319	718,032	600,034	663,251	251,005
2006	221,000	173,815	747,214	570,852	688,728	222,379
2007	226,000	162,320	777,582	540,484	702,922	191,829
2008-2012	1,284,000	611,361	4,388,452	2,201,878	3,101,508	437,493
2013-2017	1,095,000	259,017	5,355,820	1,234,510	57,754	16,552
2018-2020	235,000	13,982	3,101,578	189,580	25,547	2,397
	<u>\$ 3,777,000</u>	<u>\$ 1,819,647</u>	<u>\$16,441,709</u>	<u>\$ 6,620,439</u>	<u>\$ 6,477,745</u>	<u>\$ 1,704,318</u>

Principal and interest requirements to retire the long-term obligations outstanding at December 31, 2002, from the enterprise funds were as follows:

Year	General Obligation Bonds		General Obligation Revenue Bonds	
	Principal	Interest	Principal	Interest
2003	\$ 434,438	\$ 631,984	\$ 570,000	\$ 333,156
2004	450,738	605,081	378,292	522,049
2005	358,038	577,266	374,275	528,327
2006	385,438	549,765	377,594	535,096
2007	402,938	529,177	364,477	541,201
2008-2012	2,380,990	2,279,781	3,001,987	1,426,183
2013-2017	1,582,490	1,621,845	1,735,000	384,825
2018-2022	968,790	1,310,215	795,000	124,500
2023-2027	2,095,890	943,338	-	-
2026-2032	2,171,644	347,247	-	-
2033-2034	220,800	15,856	-	-
	<u>\$ 11,452,194</u>	<u>\$ 9,411,555</u>	<u>\$ 7,596,625</u>	<u>\$ 4,395,337</u>

**OTTAWA COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Year Ended December 31, 2002  
(Continued)**

Year	OWDA Loans		OPWC Loans		OEPA Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2003	\$ 1,047,706	\$ 573,509	\$ 41,542	\$ 15,969	\$ 120,706	\$ 119,112
2004	1,069,247	551,966	42,830	14,681	125,607	114,211
2005	1,091,239	529,975	44,172	13,339	130,707	109,111
2006	1,113,691	507,523	45,566	11,944	136,014	103,804
2007	1,136,610	484,604	47,018	10,493	141,537	98,281
2008-2012	6,043,965	2,062,103	259,001	28,553	798,700	400,390
2013-2017	6,693,300	1,412,775	71,578	1,182	974,567	224,523
2018-2022	6,965,040	722,212	14,457	-	565,022	34,523
2023-2024	2,982,922	89,366	-	-	-	-
	<u>\$28,143,720</u>	<u>\$ 6,934,033</u>	<u>\$ 566,164</u>	<u>\$ 96,161</u>	<u>\$ 2,992,860</u>	<u>\$ 1,203,955</u>

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

	Amount of Issue	Amount Outstanding at 12/31/02
Adrian Sand and Stone Inc.	\$5,000,000	\$2,510,000
Luther Home of Mercy	5,120,000	4,295,000
Otterbein Home	67,960,000	61,745,000
Ottawa Residential Services	4,043,000	3,982,000
Magruder Hospital	4,000,000	3,210,000

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

Riverview Industries entered into a non-interest bearing loan agreement with the Ottawa County Board of Mental Retardation and Developmental Disabilities (MRDD). The outstanding balance of the loan at December 31, 2002, was \$40,135. A repayment schedule for the loan has not been established.

**NOTE 20 - CAPITAL LEASES - LESSEE DISCLOSURE**

The County and Riverview Industries have entered into capitalized leases for equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. New capital leases are reflected in the accounts "Human Services" and "Inception of Capital Lease" in the funds which will be making the lease payments. Capital lease payments are reflected as debt service expenditures on the combined financial statements for governmental funds. Equipment acquired by lease has been capitalized in the general fixed assets account group, in the amount of \$20,939. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in 2002 were \$3,875 in the governmental funds and \$3,641 in the component unit.

**OTTAWA COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Year Ended December 31, 2002  
(Continued)**

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2002.

Year	GLTOAG	Riverview Industries
2003	\$ 6,751	\$ 3,936
2004	5,123	4,284
2005	3,496	4,663
2006	-	2,601
Total	15,370	15,484
Less Amount Representing Interest	(558)	(314)
Present Value of Minimum Lease Payments	<u>\$ 14,812</u>	<u>\$ 15,170</u>

**NOTE 21 - FEDERAL FOOD STAMP PROGRAM**

The County's Department of Job and Family Services distributes federal food stamps to entitled recipients within Ottawa County. The receipt and issuance of these stamps have the characteristics of federal "grants"; however, the Department of Job and Family Services merely acts in an intermediary capacity.

The inventory value of these stamps is not reflected in the accompanying combined financial statements as the only economic interest related to these stamps rests with the ultimate recipient. Federal food stamp activity for the year was as follows:

Balance at Beginning of Year	\$ 35,047
Amount Received for Distribution	-
Amount Distributed to Entitled Recipients	<u>(30,182)</u>
Balance at End of Year	<u>\$ 4,865</u>

**NOTE 22 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The County maintains nine enterprise funds which are intended to be self-supporting through user fees charged for services provided for care of the elderly and to operate sewer and water districts. Financial segment information for the year ended December 31, 2002, was as follows:

	County Home	Danbury Sewer Operations	Portage Catawba Water	Regional Water	Catawba Portage Sewer
Operating Revenues	\$ 9,433,034	\$ 2,161,107	\$ -	\$ 4,229,987	\$ 1,777,393
Depreciation	370,864	883,109	13,065	1,571,424	364,778
Operating Income (Loss)	471,706	333,792	(13,065)	1,184,496	(21,719)
Property Taxes	616,343	-	-	-	-
Grants	55,127	-	-	99,905	-
Current Capital Contributions	-	-	-	90,974	252,196

(Continued)

**OTTAWA COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Year Ended December 31, 2002  
(Continued)**

	County Home	Danbury Sewer Operations	Portage Catawba Water	Regional Water	Catawba Portage Sewer
Operating Transfers - In	9,869	55,935	37,404	95,880	62,855
Operating Transfers - Out	-	29,737	-	186,627	23,526
Net Income (Loss)	885,672	120,249	11,271	469,481	(167,179)
Fixed Asset Additions	49,998	29,360	-	612,189	285,673
Fixed Asset Reductions	12,294	11,543	-	81,926	-
Net Working Capital	2,640,323	1,064,905	(13,152)	3,794,260	617,716
Long-Term Obligations					
Compensated Absences Payable	205,136	39,362	-	78,724	41,988
General Obligation Bonds Payable	3,810,000	294,000	243,000	1,899,900	4,770,856
General Obligation Revenue Bonds Payable	-	3,776,625	-	-	2,680,000
Ohio Water and Sewer Loans Payable	-	107,284	104,525	1,101,001	12,676
OWDA Loans Payable	-	947,658	-	26,148,356	-
OPWC Loans Payable	-	398,325	-	-	108,445
OEPA Loans Payable	-	-	-	2,872,154	-
Total Assets	7,183,085	26,301,378	85,428	72,442,457	33,430,852
Total Equity	1,433,110	19,606,858	(288,845)	37,770,429	25,152,404
Encumbrances Outstanding at Year End (Budget Basis)	293,632	574,772	-	1,086,090	349,477

	Sewer District #13	Erie Twp Sewer Planning	Plasterbed Rd W&S	Salem Reserve	Total
Operating Revenues	\$ 996	\$ 5,300	\$ -	\$ 59	\$ 17,607,876
Depreciation	88,733	-	-	-	3,291,973
Operating Income (Loss)	(111,541)	2,256	(1,897)	(198)	1,843,830
Property Taxes	-	-	-	-	616,343
Grants	21,529	-	-	-	176,561
Current Capital Contributions	-	-	-	-	343,170
Operating Transfers - In	700	4,036	67,895	478	335,052
Operating Transfers - Out	-	-	-	-	239,890
Net Income (Loss)	(89,312)	6,292	65,998	280	1,302,752
Fixed Asset Additions	-	-	-	-	977,220
Fixed Asset Reductions	-	-	-	-	105,763
Net Working Capital	41,094	6,292	65,998	26,506	8,243,942
Long-Term Obligations					
Compensated Absences Payable	64	-	-	-	365,274
General Obligation Bonds Payable	-	-	-	-	11,017,756

(Continued)

**OTTAWA COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Year Ended December 31, 2002  
(Continued)**

	Sewer District #13	Erie Twp Sewer Planning	Plasterbed Rd W&S	Salem Reserve	Total
General Obligation					
Revenue Bonds Payable	-	-	-	-	6,456,625
Ohio Water and Sewer					
Loans Payable	-	-	-	-	1,325,486
OWDA Loans Payable	-	-	-	-	27,096,014
OPWC Loans Payable	17,852	-	-	-	524,622
OEPA Loans Payable	-	-	-	-	2,872,154
Total Assets	3,162,268	8,024	67,895	26,506	142,707,893
Total Equity	3,054,534	6,292	65,998	26,506	86,827,286
Encumbrances Outstanding at Year End (Budget Basis)	80,629	7,988	-	-	2,392,588

**NOTE 23 - JOINT VENTURES**

**A. Joint Solid Waste District**

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

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

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

The District's sole revenue source is derived from a waste disposal fee for in-district and out-of-district waste. A sixteen-member policy committee, consisting of five members from each county and one at-large member appointed by the board of directors, is responsible for preparing the solid waste management plan of the District in conjunction with a sixteen-member Technical Advisory Council (members appointed by the policy committee). As of December 31, 2002, the County's equity interest in the Joint Solid Waste District was \$364,485. Financial information can be obtained from William Farrell, Sandusky County Auditor, 100 North Park Avenue, Fremont, Ohio, 43420.

**B. Alcohol, Drug Addiction, and Mental Health Services Board**

The Alcohol, Drug Addiction, and Mental Health Services Board (ADAMHS) is a joint venture between Ottawa and Erie Counties. The joint venture was formed to provide mental health education, consultation, training, and referral services to the public. Each county supports the joint venture through

## OTTAWA COUNTY

### Notes to the General-Purpose Financial Statements For the Year Ended December 31, 2002 (Continued)

a tax levy. The ADAMHS is controlled by a board whose membership consists of five appointees from the State Board of Mental Health, six appointees from Ottawa County, and nine appointees from Erie County. The continued existence of the ADAMHS is dependent on the combined participation of the three counties. The ADAMHS has not accumulated significant financial resources nor is the ADAMHS experiencing fiscal stress that may cause an additional financial benefit to or burden on the County in the future.

The County cannot significantly influence the operations of the ADAMHS Board. The Board has sole budgetary authority and controls surpluses and deficits, and the County is not legally or morally obligated for the Board's debt. During 2002, the County contributed \$155,440 to ADAMHS. Financial information can be obtained from Jude Hammond, Erie County Auditor, 247 Columbus Avenue, Sandusky, Ohio, 44870.

#### **C. Regional Airport Authority**

The Regional Airport Authority (Airport Authority) is a joint venture between Ottawa and Erie Counties. The Airport Authority was formed to provide maintenance of runways and taxiways at the Airport facility. The Airport Authority operates under the direction of a seven-member board of trustees. Three members are appointed by the County Commissioners in each county. The seventh member is appointed at large by the other six. The members serve without compensation as outlined in Section 308.04 of the Ohio Revised Code. The continued existence of the Airport Authority is dependent upon Ottawa County's participation. The Airport Authority has not accumulated significant financial resources nor is the Airport Authority experiencing fiscal stress that may cause an additional financial benefit to or burden on the County in the future. During 2002, the County provided \$158,336 for airport operations. Financial information for the Airport Authority can be obtained from Valerie Gregory, Secretary, 3255 East State Road, Port Clinton, Ohio 43452.

#### **NOTE 24 - JOINTLY GOVERNED ORGANIZATION**

The County participates in the Ottawa County Regional Planning Commission, which is a statutorily created political subdivision of the State. The Commission is jointly governed among Ottawa County, the City of Port Clinton, seven villages, and twelve townships within the County. Each member's control over the operation of the Commission is limited to its representation on the Board of Trustees. The Commission makes studies, maps, plans, recommendations, and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the County. In 2002, the County contributed \$121,830 to the Regional Planning Commission.

#### **NOTE 25 - INSURANCE POOL**

The County Risk Sharing Authority, Inc. (CORSA) is a jointly governed organization among thirty-nine counties in Ohio. CORSA was formed as an Ohio not-for-profit corporation for the purpose of establishing the CORSA Insurance/Self-Insurance Program, a group primary and excess insurance/self-insurance and risk management program. Member counties agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverages provided by CORSA.

Each member county has one vote, on all matters requiring a vote, to be cast by a designated representative. The affairs of CORSA are managed by an elected board of not more than nine trustees. Only county commissioners of member counties are eligible to serve on the Board of Trustees. No county may have more than one representative on the Board of Trustees at any time. Each member



## OTTAWA COUNTY

### Notes to the General-Purpose Financial Statements For the Year Ended December 31, 2002 (Continued)

county's control over the budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the Board of Trustees.

#### **NOTE 26 - RELATED PARTY TRANSACTIONS**

During 2002, Ottawa County provided facilities, certain equipment, transportation, and salaries for administration, implementation, and supervision of its programs to Riverview Industries. Riverview Industries, a discretely presented component unit of Ottawa County, reported \$252,660 for such contributions.

#### **NOTE 27 - CONTINGENT LIABILITIES**

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

Several other claims and lawsuits are pending against the County. In the opinion of the County Prosecuting Attorney, any potential liability would not have a material adverse effect on the financial statements.

#### **NOTE 28 - SUBSEQUENT EVENTS**

On February 11, 2003, the County issued bond anticipation notes, in the amount of \$535,000, for the construction of water improvements. The notes have an interest rate of 1.6 percent and mature on February 10, 2004.

On June 3, 2003, the County issued general obligation bonds, in the amount of \$10,615,000, for various purposes. The bonds have interest rates from 1.75 percent to 4.25 percent and mature on December 1, 2027.

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**OTTAWA COUNTY**

**Schedule of Federal Awards Expenditures  
For the Year Ended December 31, 2002**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disburse- ments
<b>UNITED STATES DEPARTMENT OF JUSTICE</b>			
<b><i>Passed Through Ohio Attorney General's Office</i></b>			
Crime Victims Assistance	2002VAGENE248	16.575	\$ 27,741
	2003VAGENE248		6,567
Total Crime Victims Assistance			<u>34,308</u>
<b><i>Passed Through Erie County</i></b>			
Byrne Formula Grant Program	01-DG-A01-7005	16.579	<u>46,487</u>
Total Department of Justice			<u><b>80,795</b></u>
<b>UNITED STATES DEPARTMENT OF TRANSPORTATION</b>			
<b><i>Passed Through Ohio Department of Transportation</i></b>			
Rural Transit Grant Program	OH-18-X021	20.509	<u>111,431</u>
Total Department of Transportation			<u><b>111,431</b></u>
<b>UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<b><i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities</i></b>			
Social Services Block Grant	FY02	93.667	46,529
Medical Assistance Program	N/A	93.778	<u>1,201,884</u>
Total Department of Health and Human Services			<u><b>1,248,413</b></u>
<b>UNITED STATES DEPARTMENT OF LABOR</b>			
<b><i>Passed Through Ohio Department of Jobs and Family Services</i></b>			
<u>Workforce Investment Act (WIA) Cluster:</u>			
Workforce Investment Act - Adult		17.258	227,407
Workforce Investment Act - Youth		17.259	255,923
Workforce Investment Act - Dislocated Worker		17.260	<u>171,156</u>
Total WIA Cluster			654,486
ITA Grant		17.261	<u>2,886</u>
Total Department of Labor			<u><b>657,372</b></u>

(Continued)

**OTTAWA COUNTY**

**Schedule of Federal Awards Expenditures  
For the Year Ended December 31, 2002  
(Continued)**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disburse- ments
<b>UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
<b><i>Passed Through Ohio Department of Development</i></b>			
Community Development Block Grant - Small Cities Program and Emergency Shelter Program	B-F-00-057-1 B-F-01-057-1 B-C-00-057-1	14.228	47,774 76,010 22,001 <hr/> 145,785
Total CDBG - Small Cities Program			<hr/> 145,785
Home Investment Partnerships Program	B-C-00-057-2	14.239	<hr/> 96,909
Subtotal Pass-Through Programs			<hr/> 242,694
<b><i>Direct</i></b>			
EDI Special Projects - Rocky Ridge Sidewalks	B-C-00-057-1	14.246	<hr/> 49,195
Total Department of Housing and Urban Development			<hr/> <b>291,889</b>
<b>FEDERAL EMERGENCY MANAGEMENT AGENCY</b>			
<b><i>Passed Through Ohio Department Of Public Safety</i></b>			
Emergency Management Performance Grant	J732	83.534	32,800
Terrorism Consequence Management Preparedness Assist: Total Emergency Management Performance Grants	J733	83.552	2,355 <hr/> 35,155
State Domestic Preparedness Equipment Grant	S02-JE01-62-0062-J8909	16.007	52,531
Hazard Mitigation Grant Program - Elevation Project	FEMA-DR-1227.0021 FEMA-DR-1339.006-OH	83.548	42,881 3,035 <hr/> 45,916
Total Hazard Mitigation Grant Program			<hr/> 45,916
Total Emergency Management Agency			<hr/> <b>133,602</b>
<b>TOTAL FEDERAL AWARDS EXPENDITURES</b>			<hr/> <b>\$ 2,523,502</b>

*The accompanying notes are an integral part of this schedule.*

## **OTTAWA COUNTY**

### **Notes to the Schedule of Federal Awards Expenditures December 31, 2002**

#### **NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

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

The County administers a loan program with funds provided by the U.S. Department of Housing and Urban Development (HUD) through the Ohio Department of Development under two Community Development Block Grant Programs (CFDA 14.228 and CFDA 14.239). The purpose of these programs is to assist low to moderate income households with home improvements and assist first time home buyers. The initial loans of these funds are recorded as a disbursement on the accompanying Schedule of Federal Awards Expenditures. Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule. Loan agreements provide for liens to be filed against the property as collateral for the loans. As of December 31, 2002, the total amount of loans outstanding was \$450,606.

#### **NOTE C - MATCHING REQUIREMENTS**

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

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**Auditor of State  
Betty Montgomery**

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

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

To the Board of Commissioners:

We have audited the financial statements of Ottawa County (the County) as of and for the year ended December 31, 2002, and have issued our report thereon dated August 21, 2003. We did not audit the financial statements of Riverview Industries, Inc., the County's discretely presented component unit, which was audited by other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of Riverview Industries, Inc. were not audited in accordance with *Government Auditing Standards* and accordingly this report does not extend to the component unit.

**Compliance**

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2002-001. We also noted certain immaterial instances of noncompliance that we have reported to the management of the County in a separate letter dated August 21, 2003.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the County in a separate letter dated August 21, 2003.

One Government Center / Room 1420 / Toledo, OH 43604-2246  
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

This report is intended for the information and use of management, the Board of County Commissioners, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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**Betty Montgomery**  
Auditor of State

August 21, 2003





**Auditor of State  
Betty Montgomery**

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

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

To the Board of Commissioners:

**Compliance**

We have audited the compliance of Ottawa County (the County) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2002. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County'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 obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2002.

**Internal Control over Compliance**

The management of the County 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 County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order 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 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 that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of management, the Board of County Commissioners, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

August 21, 2003

**OTTAWA COUNTY**

**Schedule of Findings  
OMB Circular A -133 § .505  
December 31, 2002**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Community Development Block Grant CFDA #14.228 Medical Assistance Program CFDA #93.778
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

**FINDING NUMBER 2002-001**

**Noncompliance Citation**

Ohio Revised Code § 5705.41 (D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

**FINDING NUMBER 2002-001  
(Continued)**

The following exceptions to this basic requirement are provided by statute:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$100 for counties, or less than \$1,000 for other political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful.

During our testing of the non-payroll cash disbursement cycle we noted that 37 percent of expenditures tested were not certified prior to the expenditure having been incurred. This could result in expenditures being made in excess of available resources. We recommend that the County Auditor certify all expenditures before the obligation has been incurred. The abovementioned exception should be used for emergency or unforeseen expenditures.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None.

**OTTAWA COUNTY**

**Schedule of Prior Audit Findings  
OMB Circular A -133 §.315 (b)  
December 31, 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2001-001	No Tier II SAS 70 report for billing services contracted with in 2001 for Nursing Home.	Yes	
2001-002	County Sheriff's cashbook did not have an open items list to reconcile with ending balances, contained unsupported adjustments, incorrect service charges were being assessed on the bank accounts, outstanding checks were not really outstanding, several checks written and then voided several months later, and assets purchased were not included on the fixed asset listing to the County Auditor.	Yes	
2001-003	County's fixed asset listing did not include all new additions and deletions, vehicles did not agree with insurance policy, and auction items were not deleted from fixed asset listing after being sold.	No	Partially corrected. Reported in the management letter.
2001-004	Nursing Home accounts receivable policy does not have options for 2 <sup>nd</sup> and 3 <sup>rd</sup> requests for payments and establish policy for collection of unpaid accounts.	Yes	
2001-005	A-102 Common Rule (24CFR 85.36) requires that any contractor receiving individual awards for \$100,000 or more and all sub recipients must certify that the organization and its principals are not suspended or debarred. A contractor for the CDBG program did not certify its suspension or debarred status.	Yes	





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## **FINANCIAL CONDITION**

### **OTTAWA COUNTY**

#### **CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 25, 2003**