



**Auditor of State  
Betty Montgomery**



**VILLAGE OF OTTAWA  
PUTNAM COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2003.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary Fund Type - For the Year Ended December 31, 2003.....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2002.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary Fund Type - For the Year Ended December 31, 2002.....	6
Notes to the Financial Statements.....	7
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	17
Schedule of Prior Audit Findings .....	19

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**Auditor of State  
Betty Montgomery**

## **INDEPENDENT ACCOUNTANTS' REPORT**

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Ottawa, Putnam County, (the Village) as of and for the years ended December 31, 2003 and 2002. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

The Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments

We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2004 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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



**Betty Montgomery**  
Auditor of State

August 26, 2004

**VILLAGE OF OTTAWA  
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$ 251,925	\$ 50,000		\$ 301,925
Municipal Income Tax		1,494,654		1,494,654
Special Assessments	250	19,596		19,846
Intergovernmental Receipts	222,658	206,465		429,123
Charges for Services	48,862			48,862
Fines, Licenses, and Permits	38,483	653		39,136
Earnings on Investments	225,085	11,014	\$ 8,521	244,620
Miscellaneous	21,442	55,097		76,539
<b>Total Cash Receipts</b>	<b>808,705</b>	<b>1,837,479</b>	<b>8,521</b>	<b>2,654,705</b>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	483,723	834		484,557
Public Health Services	1,770			1,770
Leisure Time Activities	128,241			128,241
Community Environment	27,140			27,140
Basic Utility Services		2,630		2,630
Transportation	136	174,593		174,729
General Government	143,950	271,635		415,585
Debt Service:				
Principal Payments		367,711		367,711
Interest Payments		193,285		193,285
Capital Outlay	400	900,919	1,329,069	2,230,388
<b>Total Cash Disbursements</b>	<b>785,360</b>	<b>1,911,607</b>	<b>1,329,069</b>	<b>4,026,036</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>23,345</b>	<b>(74,128)</b>	<b>(1,320,548)</b>	<b>(1,371,331)</b>
<b>Other Financing Receipts and (Disbursements):</b>				
Debt Proceeds			1,115,568	1,115,568
Sale of Assets		1,707		1,707
Other Financing Sources		148,336		148,336
Advances-Out			(256,646)	(256,646)
Other Financing Uses			(222,255)	(222,255)
<b>Total Other Financing Receipts/(Disbursements)</b>		<b>150,043</b>	<b>636,667</b>	<b>786,710</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	23,345	75,915	(683,881)	(584,621)
Fund Cash Balances, January 1	2,089,753	3,887,957	787,822	6,765,532
<b>Fund Cash Balances, December 31</b>	<b>\$ 2,113,098</b>	<b>\$ 3,963,872</b>	<b>\$ 103,941</b>	<b>\$ 6,180,911</b>
Reserves for Encumbrances, December 31	\$ 120,115	\$ 677,004	\$ 223,393	\$ 1,020,512

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF OTTAWA  
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Enterprise
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 1,576,108
Miscellaneous	24,561
	1,600,669
<b>Operating Cash Disbursements:</b>	
Personal Services	616,215
Fringe Benefits	308,636
Contractual Services	285,682
Supplies and Materials	160,538
Capital Outlay	242,442
	1,613,513
Operating Loss	(12,844)
<b>Non-Operating Cash Receipts:</b>	
Special Assessments	2,491
Sale of Assets	926
Other Financing Sources	59,273
	62,690
<b>Non-Operating Cash Disbursements:</b>	
Debt Service - Principal	281,760
Debt Service - Interest	93,645
	375,405
Excess of Disbursements Over Receipts Before Interfund Advances	(325,559)
Advances-In	256,646
Net Disbursements Over Receipts	(68,913)
Fund Cash Balances, January 1	3,519,746
<b>Fund Cash Balances, December 31</b>	<b>\$ 3,450,833</b>
Reserve for Encumbrances, December 31	\$ 245,154

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.



**VILLAGE OF OTTAWA  
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$ 249,772	\$ 70,000		\$ 319,772
Municipal Income Tax		1,635,315		1,635,315
Special Assessments			\$ 14,565	14,565
Intergovernmental Receipts	193,061	150,347		343,408
Charges for Services	53,737	1,370		55,107
Fines, Licenses, and Permits	19,021	391		19,412
Earnings on Investments	325,396	14,773	29,160	369,329
Miscellaneous	62,225	111,112		173,337
<b>Total Cash Receipts</b>	<b>903,212</b>	<b>1,983,308</b>	<b>43,725</b>	<b>2,930,245</b>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	399,512	844		400,356
Public Health Services	1,821			1,821
Leisure Time Activities	133,806			133,806
Community Environment	21,317			21,317
Transportation	136	136,701		136,837
General Government	149,787	283,713	373	433,873
Debt Service:				
Principal Payments		471,410	20,270	491,680
Interest Payments		289,264		289,264
Capital Outlay	1,216	673,706	971,858	1,646,780
<b>Total Cash Disbursements</b>	<b>707,595</b>	<b>1,855,638</b>	<b>992,501</b>	<b>3,555,734</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>195,617</b>	<b>127,670</b>	<b>(948,776)</b>	<b>(625,489)</b>
<b>Other Financing Receipts and (Disbursements):</b>				
Sale of Assets		4,000		4,000
Advances-In		445,474	256,645	702,119
Other Financing Uses			(253)	(253)
Advances-Out		(140,000)	(305,474)	(445,474)
<b>Total Other Financing Receipts/(Disbursements)</b>		<b>309,474</b>	<b>(49,082)</b>	<b>260,392</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	195,617	437,144	(997,858)	(365,097)
Fund Cash Balances, January 1	1,894,136	3,450,813	1,785,680	7,130,629
<b>Fund Cash Balances, December 31</b>	<b>\$ 2,089,753</b>	<b>\$ 3,887,957</b>	<b>\$ 787,822</b>	<b>\$ 6,765,532</b>
Reserves for Encumbrances, December 31	\$ 36,149	\$ 304,265	\$ 55,016	\$ 395,430

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF OTTAWA  
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Enterprise
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 2,031,171
Miscellaneous	4,314
	2,035,485
Total Operating Cash Receipts	2,035,485
<b>Operating Cash Disbursements:</b>	
Personal Services	570,753
Fringe Benefits	274,209
Contractual Services	263,589
Supplies and Materials	131,073
Capital Outlay	219,482
	1,459,106
Total Operating Cash Disbursements	1,459,106
Operating Income	576,379
<b>Non-Operating Cash Receipts:</b>	
Sale of Assets	285
Other Financing Sources	102,946
	103,231
Total Non-Operating Cash Receipts	103,231
<b>Non-Operating Cash Disbursements:</b>	
Debt Service - Principal	214,623
Debt Service - Interest	45,872
	260,495
Total Non-Operating Cash Disbursements	260,495
Excess of Receipts Over Disbursements Before Interfund Advances	419,115
Advances-Out	(256,645)
Net Receipts Over Disbursements	162,470
Fund Cash Balances, January 1	3,357,276
<b>Fund Cash Balances, December 31</b>	<b>\$ 3,519,746</b>
Reserve for Encumbrances, December 31	\$ 569,023

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF OTTAWA  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

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

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

**B. Basis of Accounting**

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

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

**C. Cash and Investments**

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

Certificates of deposit are valued at cost. STAR Ohio is recorded at share values reported by the State Treasurer.

**D. Fund Accounting**

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

**VILLAGE OF OTTAWA  
PUTNAM COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

**1. General Fund**

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

**2. Special Revenue Fund**

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

Street Construction, Maintenance, and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

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

**3. Capital Project Funds**

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

Bond Construction Fund - This fund is used to account for street improvement projects. Various Purpose Bonds – Series 2001 were issued to do these projects.

Bond Construction - Municipal Building Renovations Fund - This fund is used to account for expenses related to Municipal Building renovations. Various Purpose Bonds – Series 2001 were issued to do this project.

Bond Construction - Fire Truck Acquisition Fund - This fund is used to account for the purchase of a fire truck. Various Purpose Bonds – Series 2001 were issued for this acquisition.

Bond Construction - East Main Street Storm Sewer Fund - This fund is used to account for various storm sewer projects. Various Purpose Bonds – Series 2001 were issued to do these projects.

**VILLAGE OF OTTAWA  
PUTNAM COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

Water Treatment Plant Improvements Grant Construction Fund - This fund is used to account for a loan from the Ohio Environmental Protection Agency – Division of Environmental and Financial Assistance for improvements to the Water Treatment Plant.

**4. Enterprise Funds**

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

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

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

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, object level of control for the General, Income Tax, Water and Sewer Funds and, the fund level of control for all other funds, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

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

**VILLAGE OF OTTAWA  
PUTNAM COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

**3. Encumbrances**

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

A summary of 2003 and 2002 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

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

**G. Accumulated Leave**

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

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	2003	2002
Demand deposits	\$ 198,512	\$ 921,038
Certificates of deposit	8,015,000	8,015,000
Total deposits	<u>8,213,512</u>	<u>8,936,038</u>
STAR Ohio	1,418,232	1,349,240
Total deposits and investments	<u>\$ 9,631,744</u>	<u>\$ 10,285,278</u>

**Deposits:** Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Village, or (3) collateralized by the financial institution's public entity deposit pool.

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

**VILLAGE OF OTTAWA  
PUTNAM COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 714,860	\$ 808,705	\$ 93,845
Special Revenue	1,514,550	1,987,522	472,972
Capital Projects	1,860,308	1,124,089	(736,219)
Enterprise	1,775,100	1,663,359	(111,741)
Total	<u>\$ 5,864,818</u>	<u>\$ 5,583,675</u>	<u>\$ (281,143)</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Budgeted Expenditures	Actual Expenditures	Variance
General	\$ 2,800,843	\$ 905,475	\$ 1,895,368
Special Revenue	5,402,507	2,588,611	2,813,896
Capital Projects	2,648,130	1,774,717	873,413
Enterprise	5,294,846	2,234,072	3,060,774
Total	<u>\$ 16,146,326</u>	<u>\$ 7,502,875</u>	<u>\$ 8,643,451</u>

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 717,675	\$ 903,212	\$ 185,537
Special Revenue	1,662,124	1,987,308	325,184
Capital Projects	24,713	43,725	19,012
Enterprise	1,755,550	2,138,716	383,166
Total	<u>\$ 4,160,062</u>	<u>\$ 5,072,961</u>	<u>\$ 912,899</u>

**VILLAGE OF OTTAWA  
PUTNAM COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Budgeted Expenditures	Actual Expenditures	Variance
General	\$ 2,482,038	\$ 743,744	\$ 1,738,294
Special Revenue	5,112,936	2,159,903	2,953,033
Capital Projects	1,707,447	1,047,770	659,677
Enterprise	5,112,826	2,288,624	2,824,202
Total	\$ 14,415,247	\$ 6,240,041	\$ 8,175,206

**4. PROPERTY TAX**

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

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

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

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

**5. LOCAL INCOME TAX**

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

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



**VILLAGE OF OTTAWA  
PUTNAM COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

**6. DEBT**

Debt outstanding at December 31, 2003 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$ 4,509,253	4.12%
General Obligation Bonds - 2001	2,200,000	2.5 - 4.1%
Ohio Public Works Commission Loan - Sewer	360,867	0%
Ohio Public Works Commission Loan - Water	42,500	0%
Total	\$ 7,112,620	

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

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

The General Obligation 2001 Bonds were issued to pay for various Village improvement projects.

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

Year ending December 31:	OWDA Loan	General Obligation Bonds - 2001	OPWC Loan Sewer	OPWC Loan Water
2004	\$ 396,518	\$ 518,397	\$ 30,072	\$ 5,000
2005	396,518	290,198	30,072	5,000
2006	396,518	283,110	30,072	5,000
2007	396,518	300,685	30,072	5,000
2008	396,518	291,810	30,072	5,000
2009 – 2013	1,982,591	876,805	150,360	17,500
2014 – 2018	1,982,591		60,147	
2019	198,259			
Total	\$ 6,146,031	\$ 2,561,005	\$ 360,867	\$ 42,500

**VILLAGE OF OTTAWA  
PUTNAM COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

On January 30, 2003, loan #3790 for water treatment plant improvements was approved by the OWDA for the Village in the amount of \$1,519,888 with a 20 year term, at a 3.15% interest rate, with repayment to begin July 1, 2004. The improvements have not been completed to date and a final amortization schedule is unavailable. The semiannual payments including interest are estimated to be \$51,504.

**7. RETIREMENT SYSTEMS**

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. Members of OPERS contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries for 2003 and 2002. The Village has paid all contributions required through December 31, 2003.

**8. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for comprehensive property risks.

**Risk Pool Membership**

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

Casualty Coverage

PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year.

**VILLAGE OF OTTAWA  
PUTNAM COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

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

Property Coverage

PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss with an annual aggregate of \$1,250,000 for 2002. There is no aggregate for 2003 and future accident years. Beginning in 2003, PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2003 and 2002:

<u>Casualty Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$ 25,288,098	\$ 20,174,977
Liabilities	(12,872,985)	(8,550,749)
Retained Earnings	<u>\$ 12,415,113</u>	<u>\$ 11,624,228</u>

<u>Property Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$ 3,158,813	\$ 2,565,408
Liabilities	(792,061)	(655,318)
Retained Earnings	<u>\$ 2,366,752</u>	<u>\$ 1,910,090</u>

**VILLAGE OF OTTAWA  
PUTNAM COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

**9. OUTSTANDING CONTRACTUAL COMMITMENTS**

As of December 31, 2003 the Village had the following outstanding contractual commitments:

- Tilton Corporation in the amount of \$15,617 for heating, venting, and cooling contract, and \$116,954 for general construction contract on the water treatment plant improvements project;
- Woolace Electric Corporation in the amount of \$37,253 for electrical contract on the water treatment plant improvements contract;
- Ward Construction, Inc. in the amount of \$160,175 for 2003 street projects;
- Degen Excavating Company in the amount of \$336,724 for construction of Putnam Parkway; and
- Lingvai Excavating in the amount of \$15,900 for Oakview, Chestnut and East Main Street storm sewer improvements.



**Auditor of State  
Betty Montgomery**

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

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Ottawa, Putnam County, (the Village) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated August 26, 2004 wherein we noted the Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance we must report under *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting 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.

This report is intended for the information and use of the audit committee, management, and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.



**Betty Montgomery**  
Auditor of State

August 26, 2004

**VILLAGE OF OTTAWA  
PUTNAM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-30269-001	<b>ORC § 135.18</b> deposits exceed pledged collateral	Yes	
2001-30269-002	<b>ORC § 135.04(D)</b> deposits exceed depository application	Yes	







**Auditor of State  
Betty Montgomery**

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800-282-0370  
Facsimile 614-466-4490

**VILLAGE OF OTTAWA**

**PUTNAM COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 21, 2004**