



**Auditor of State
Betty Montgomery**

**FINANCIAL CONDITION
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 financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of Ottawa County, Ohio (the County), as of and for the year ended December 31, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of Ottawa County, Ohio, as of December 31, 2005, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General; Road and Bridge, Job and Family Services; Mental Retardation and Developmental Disabilities; and Ottawa County Senior Program funds 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 December 14, 2006, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

Betty Montgomery
Auditor of State

December 14, 2006

**FINANCIAL CONDITION
OTTAWA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED**

The management's discussion and analysis of Ottawa County's (the "County") financial performance provides an overall review of the County's financial activities for the year ended December 31, 2005. The intent of this discussion and analysis is to look at the County's financial performance as a whole; readers should also review the notes to the basic financial statements and the basic financial statements to enhance their understanding of the County's financial performance.

Financial Highlights

Key financial highlights for 2005 are as follows:

- The total net assets of the County increased \$8,221,509. Net assets of governmental activities increased \$3,658,880, which represents an 8.56% increase over fiscal year 2004. Net assets of business-type activities increased \$4,562,629 or 4.73% from fiscal year 2004.
- General revenues accounted for \$17,680,133 or 45.50% of total governmental activities revenue. Program specific revenues accounted for \$21,174,304 or 54.50% of total governmental activities revenue.
- The County had \$34,690,965 in expenses related to governmental activities; \$21,174,304 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$17,680,133 were adequate to provide for these programs.
- The general fund, the County's largest major governmental fund, had revenues and other financing sources of \$14,081,377 in 2005, an increase of \$961,700 or 7.33% from 2004 revenues. The general fund, had expenditures and other financing uses of \$13,762,357 in 2005, an increase of \$319,913 or 2.38% from 2004. The net changes in revenues and expenditures contributed to the general fund balance increase of \$319,020 from 2004 to 2005.
- The road and bridge fund, a major governmental fund, had revenues and other financing sources of \$5,493,508 in 2005. The road and bridge fund, had expenditures of \$5,083,290 in 2005. The road and bridge fund balance increased \$410,218 from 2004 to 2005.
- The job and family services fund, a major governmental fund, had revenues and other financing sources of \$3,611,673 in 2005. The job and family services fund, had expenditures and other financing uses of \$3,618,212 in 2005. The job and family services fund balance decreased \$6,539 from 2004 to 2005.
- The Board of Mental Retardation and Developmentally Disabled (MR/DD) fund, a major governmental fund, had revenues and other financing sources of \$7,332,178 in 2005. The Board of MR/DD fund, had expenditures and other financing uses of \$6,025,298 in 2005. The Board of MR/DD fund balance increased \$1,306,880 from 2004 to 2005.
- The county senior programs fund, a major governmental fund, had revenues and other financing sources of \$495,278 in 2005. The county senior programs fund, had expenditures of \$205,346 in 2005. The county senior programs fund balance increased \$289,932 from 2004 to 2005.
- The special assessment bond fund, a major governmental fund, had revenues and other financing sources of \$2,207,834 in 2005. The special assessment bond fund, had expenditures of \$2,232,321 in 2005. The special assessment bond fund balance decreased \$24,487 from 2004 to 2005.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
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(Continued)**

- Net assets for the business-type activities, which are made up of the Catawba Portage Sewer, Regional Water, Danbury Sewer, Riverview Nursing Home, Salem Reserve Fund, Plasterbed Water and Sewer, Erie Township Sewer Planning, Put-in-Bay Water Plan and Sewer District #13 enterprise funds, increased in 2005 by \$4,562,629. This increase in net assets was mainly due to adequate charges for services revenue to cover operating expenses.
- In the general fund, the actual revenues came in \$2,517,249 higher than they were originally budgeted and actual expenditures and financing uses were \$2,092,697 higher than the amount in the original budget. These variances are a result of the County's conservative budgeting process.

Using this Basic Financial Statements (BFS)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the County as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole County, presenting both an aggregate view of the County's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the County's most significant funds with all other non-major funds presented in total in one column. In the case of the County, there are six major governmental funds. The general fund is the largest major fund.

Reporting the County as a Whole

Statement of Net Assets and the Statement of Activities

The Statement of Net Assets and the Statement of Activities answer the question, "How did we do financially during 2005?" These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the County's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the County as a whole, the financial position of the County has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the County's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, and other factors.

In the Statement of Net Assets and the Statement of Activities, the County is divided into two distinct kinds of activities:

Governmental Activities - Most of the County's programs and services are reported here including human services, health, public safety, public works and general government. These services are funded primarily by taxes and intergovernmental revenues including federal and state grants and other shared revenues.

**FINANCIAL CONDITION
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
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(Continued)**

Business-Type Activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided.

Reporting the County's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. Fund financial reports provide detailed information about the County's major funds. The County uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the County's most significant funds.

The County's major governmental funds are the general fund, road and bridge, job and family services, Board of MRDD, county senior programs and special assessment bond. The County's major enterprise funds are the Riverview nursing home, Danbury sewer, Regional water and Catawba Portage sewer.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains a multitude of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances for the major funds, which were identified earlier. Data from the other governmental funds are combined into a single, aggregated presentation.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
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(Continued)**

Proprietary Funds

The County maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its Catawba Portage sewer, regional water, Danbury sewer, Riverview nursing home, Salem reserve fund, Plasterbed water and sewer, Erie township sewer planning, Put-in-Bay water plan and sewer district #13. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses an internal service fund to account for a health insurance program for employees of the County.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Agency funds are the County's only fiduciary fund type.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-Wide Financial Analysis

The Statement of Net Assets provides the perspective of the County as a whole. The table below provides a summary of the County's net assets for 2005 and 2004.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

	Net Assets					
	Governmental Activities 2005	Business-type Activities 2005	Governmental Activities 2004	Business-type Activities 2004	2005 Total	2004 Total
	Assets					
Current and other assets	\$ 51,542,903	\$ 20,373,443	\$ 48,059,516	\$ 20,425,513	\$ 71,916,346	\$ 68,485,029
Capital assets	<u>34,115,416</u>	<u>139,973,363</u>	<u>33,830,346</u>	<u>138,506,385</u>	<u>174,088,779</u>	<u>172,336,731</u>
Total assets	<u>85,658,319</u>	<u>160,346,806</u>	<u>81,889,862</u>	<u>158,931,898</u>	<u>246,005,125</u>	<u>240,821,760</u>
Liabilities						
Long-term liabilities outstanding	27,111,096	56,105,657	28,759,771	57,185,551	83,216,753	85,945,322
Other liabilities	<u>12,121,784</u>	<u>3,226,427</u>	<u>10,363,532</u>	<u>5,294,254</u>	<u>15,348,211</u>	<u>15,657,786</u>
Total liabilities	<u>39,232,880</u>	<u>59,332,084</u>	<u>39,123,303</u>	<u>62,479,805</u>	<u>98,564,964</u>	<u>101,603,108</u>
Net Assets						
Invested in capital assets, net of related debt	28,880,166	84,070,716	28,367,332	82,209,347	112,950,882	110,576,679
Restricted	13,802,768	3,220,081	11,829,519	2,740,635	17,022,849	14,570,154
Unrestricted	<u>3,742,505</u>	<u>13,723,925</u>	<u>2,569,708</u>	<u>11,502,111</u>	<u>17,466,430</u>	<u>14,071,819</u>
Total net assets	<u>\$ 46,425,439</u>	<u>\$ 101,014,722</u>	<u>\$ 42,766,559</u>	<u>\$ 96,452,093</u>	<u>\$ 147,440,161</u>	<u>\$ 139,218,652</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2005, the County's assets exceeded liabilities by \$147,440,161. This amounts to \$46,425,439 in governmental activities and \$101,014,722 in business-type activities. The County's finances remained strong during 2005, despite the decline in the economy.

Capital assets reported on the government-wide statements represent the largest portion of the County's assets. At year-end, capital assets represented 70.77% of total governmental and business-type assets. Capital assets include land, buildings and improvements, equipment, vehicles, construction in progress and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2005, were \$112,950,882. These capital assets are used to provide services to citizens and are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

As of December 31, 2005, the County is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
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(Continued)**

A portion of the County's net assets, \$17,022,849 or 11.55%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of governmental activities unrestricted net assets of \$3,742,505 may be used to meet the government's ongoing obligations to citizens and creditors.

The table below shows the changes in net assets for fiscal year 2005 and 2004.

	Change in Net Assets					
	Governmental	Business-type	Governmental	Business-type	2005	2004
	Activities 2005	Activities 2005	Activities 2004	Activities 2004	Total	Total
Revenues						
Program revenues:						
Charges for services and sales	\$ 6,775,910	\$ 19,459,658	\$ 7,594,701	\$ 18,418,720	\$ 26,235,568	\$ 26,013,421
Operating grants and contributions	14,316,584	152,692	11,640,570	62,531	14,469,276	11,703,101
Capital grants and contributions	<u>81,810</u>	<u>4,202,799</u>	-	<u>4,230,292</u>	<u>4,284,609</u>	<u>4,230,292</u>
Total program revenues	<u>21,174,304</u>	<u>23,815,149</u>	<u>19,235,271</u>	<u>22,711,543</u>	<u>44,989,453</u>	<u>41,946,814</u>
General revenues:						
Property taxes	7,690,547	523,225	7,336,880	616,278	8,213,772	7,953,158
Sales tax	4,834,958		4,789,193		4,834,958	4,789,193
Unrestricted grants	1,718,137		1,348,867		1,718,137	1,348,867
Investment earnings	1,129,984	12,840	1,329,436		1,142,824	1,329,436
Other	<u>2,306,507</u>	<u>167,088</u>	<u>1,362,894</u>	<u>321,467</u>	<u>2,473,595</u>	<u>1,684,361</u>
Total general revenues	<u>17,680,133</u>	<u>703,153</u>	<u>16,167,270</u>	<u>937,745</u>	<u>18,383,286</u>	<u>17,105,015</u>
Total revenues	<u>38,854,437</u>	<u>24,518,302</u>	<u>35,402,541</u>	<u>23,649,288</u>	<u>63,372,739</u>	<u>59,051,829</u>

**FINANCIAL CONDITION
OTTAWA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

	Change in Net Assets					
	Governmental	Business-type	Governmental	Business-type	2005	2004
	Activities	Activities	Activities	Activities	Total	Total
	2005	2005	2004	2004	Total	Total
Expenses						
Program Expenses:						
General government						
Legislative and executive	3,927,013		4,963,686		3,927,013	4,963,686
Judicial	2,755,522		2,658,896		2,755,522	2,658,896
Public safety	5,406,336		6,338,322		5,406,336	6,338,322
Public works	7,254,316		4,241,609		7,254,316	4,241,609
Health	290,211		500,021		290,211	500,021
Human services	13,512,455		12,692,210		13,512,455	12,692,210
Conservation and recreation	102,228		111,829		102,228	111,829
Economic development and assista	4,869		4,499		4,869	4,499
Other	303,415		177,098		303,415	177,098
Interest and fiscal charges	1,134,600		1,179,559		1,134,600	1,179,559
Riverview nursing home		10,530,190		9,524,617	10,530,190	9,524,617
Danbury sewer		2,609,851		2,037,221	2,609,851	2,037,221
Regional water		4,389,327		3,961,466	4,389,327	3,961,466
Catawba portage sewer		2,636,347		3,033,539	2,636,347	3,033,539
Other enterprise	-	294,550	-	368,991	294,550	368,991
Total expenses	<u>34,690,965</u>	<u>20,460,265</u>	<u>32,867,729</u>	<u>18,925,834</u>	<u>55,151,230</u>	<u>51,793,563</u>
Transfers	(504,592)	504,592	(64,194)	64,194	-	-
Change in net assets	3,658,880	4,562,629	2,470,618	4,787,648	8,221,509	7,258,266
Net assets at beginning of year	<u>42,766,559</u>	<u>96,452,093</u>	<u>40,295,941</u>	<u>91,664,445</u>	<u>139,218,652</u>	<u>131,960,386</u>
Net assets at end of year	<u>\$ 46,425,439</u>	<u>\$ 101,014,722</u>	<u>\$ 42,766,559</u>	<u>\$ 96,452,093</u>	<u>\$ 147,440,161</u>	<u>\$ 139,218,652</u>

Governmental Activities

Governmental assets increased by \$3,658,880 in 2005 over 2004. This increase is due to revenues increasing faster than expenses in 2005 compared to 2004.

**FINANCIAL CONDITION
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

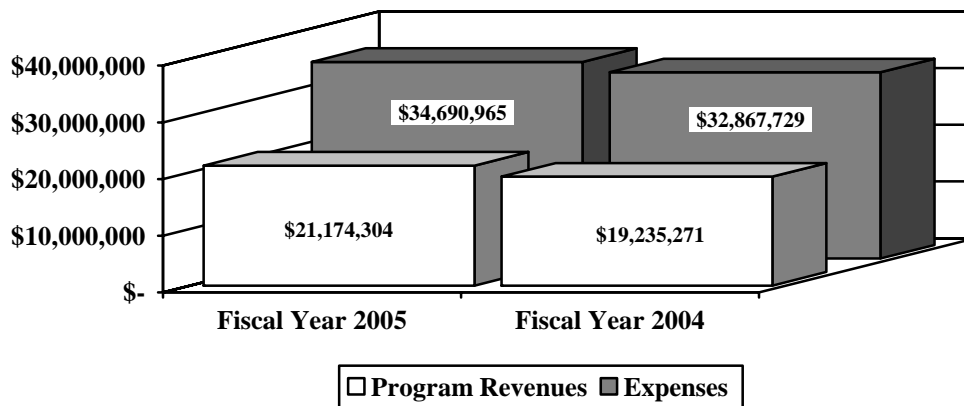
Human services, which supports the operations of the County Home, County Board of MR/DD, Job and Family Services (Public Assistance), Veteran Services, and the Children Services Board, accounts for \$13,512,455 of expenses, or 38.95% of total governmental expenses of the County. These expenses were funded by \$679,334 in charges to users of services in 2005. General government expenses which includes legislative and executive and judicial programs, accounted for \$6,682,535 or 19.26% of total governmental expenses. General government expenses were covered by \$3,136,764 of direct charges to users in 2005.

The state and federal government contributed to the County revenues of \$14,316,584 in operating grants and contributions and \$81,810 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$8,440,920 or 58.96% subsidized human services programs.

General revenues totaled \$17,680,133, and amounted to 45.50% of total revenues. These revenues primarily consist of property and sales tax revenue of \$12,525,505 or 70.85% of total general revenues in 2005. The other primary source of general revenues is grants and entitlements not restricted to specific programs, with local government and local government revenue assistance making up \$1,718,137, or 9.72% of the total.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2005 and 2004. That is, it identifies the cost of these services supported by general revenues (such as tax revenue and unrestricted state grants and entitlements). As can be seen in the graph below, the County is reliant upon general revenues to finance operations as program revenues are not sufficient to cover total expenses.

Governmental Activities – Program Revenues vs. Total Expenses



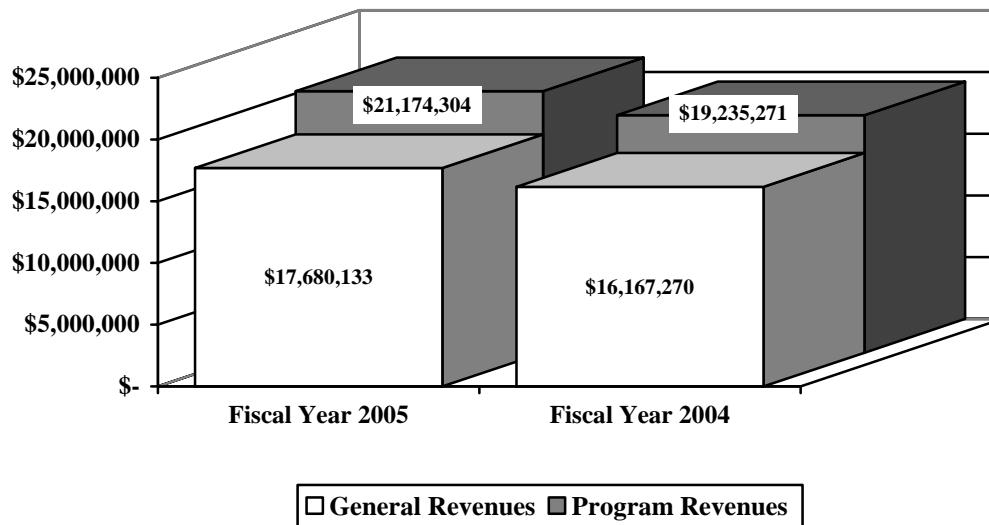
**FINANCIAL CONDITION
OTTAWA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
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(Continued)**

	Governmental Activities			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2005	2005	2004	2004
Program Expenses:				
General government				
Legislative and executive	\$ 3,927,013	\$ 1,398,205	\$ 4,963,686	\$ 2,303,126
Judicial	2,755,522	1,953,514	2,658,896	1,476,140
Public safety	5,406,336	4,477,093	6,338,322	4,945,334
Public works	7,254,316	575,174	4,241,609	(1,399,949)
Health	290,211	164,858	500,021	392,250
Human services	13,512,455	4,392,201	12,692,210	4,772,118
Conservation and recreation	102,228	10,367	111,829	21,409
Economic development and assistance	4,869	2,166	4,499	2,166
Other	303,415	303,415	177,098	(59,695)
Interest and fiscal charges	1,134,600	239,668	1,179,559	1,179,559
Total	\$ 34,690,965	\$ 13,516,661	\$ 32,867,729	\$ 13,632,458

The dependence upon general revenues for governmental activities is apparent, with 38.96% of expenses supported through taxes and other general revenues during 2005. The graph below illustrates the County's reliance upon general revenues.

Governmental Activities – General and Program Revenues

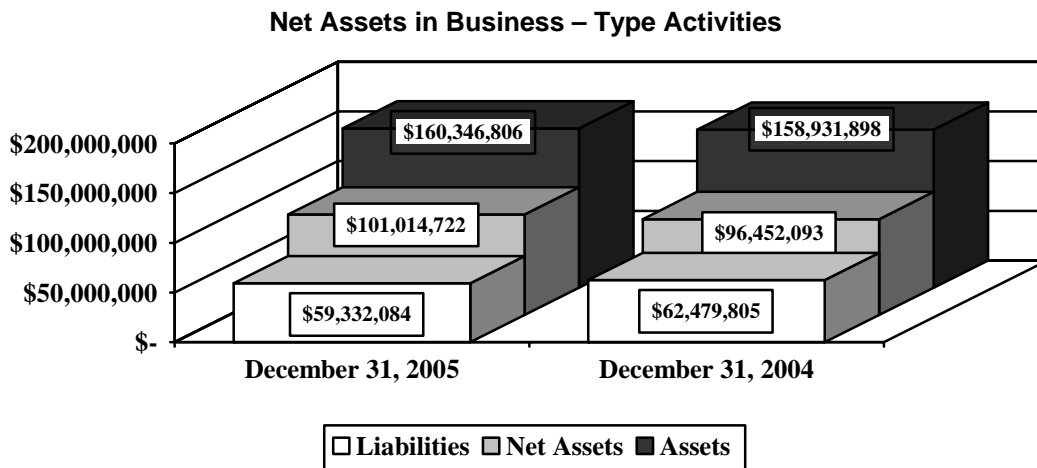


**FINANCIAL CONDITION
OTTAWA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
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Business-Type Activities

The Catawba Portage sewer, regional water, Danbury sewer, Riverview nursing home, Salem reserve fund, Plasterbed water and sewer, Erie township sewer planning, Put-in-Bay water plan and sewer district #13 are the County's enterprise funds. These operations had program revenues of \$23,815,149, general revenues of \$703,153, and expenses of \$20,460,265 for fiscal year 2005. The net assets of the enterprise funds increased \$4,562,629 or 4.73% during 2005. The following graph illustrates the assets, liabilities and net assets of the County's business-type activities at December 31, 2005 and 2004:



Financial Analysis of the Government's Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the County's net resources available for spending at year-end.

The County's governmental funds reported a combined fund balance of \$13,962,653, which is \$994,798 over last year's total of \$12,967,855. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2005, for all major and non-major governmental funds.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

	<u>Fund Balance</u> <u>December 31, 2005</u>	<u>Fund Balance</u> <u>December 31, 2004</u>	<u>Increase</u> <u>(Decrease)</u>
Major Funds:			
General	\$ 3,406,669	\$ 3,087,649	\$ 319,020
Road and Bridge	2,727,047	2,316,829	410,218
Job and Family Services	128,907	135,446	(6,539)
Board of MR/DD	3,731,271	2,424,391	1,306,880
Ottawa County Senior Programs	299,446	9,514	289,932
Special Assessment Bond	118,562	143,049	(24,487)
Other Nonmajor Governmental Funds	<u>3,550,751</u>	<u>4,850,977</u>	<u>(1,300,226)</u>
Total	<u>\$ 13,962,653</u>	<u>\$ 12,967,855</u>	<u>\$ 994,798</u>

General Fund

The County's general fund balance increased \$319,020, primarily due to revenues increasing faster than expenditures. The table that follows assists in illustrating the revenues of the general fund.

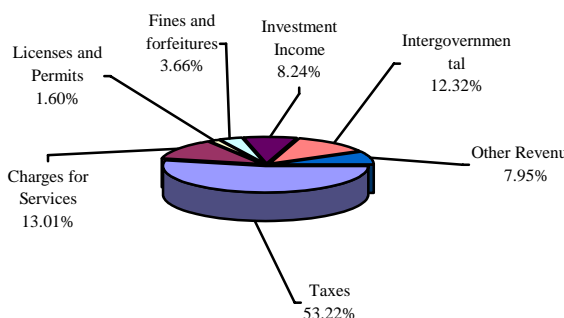
	<u>2005</u> <u>Amount</u>	<u>2004</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 7,302,528	\$ 7,717,756	(5.38) %
Charges for services	1,785,226	2,569,733	(30.53) %
Licenses and permits	219,363	202,549	8.30 %
Fines and forfeitures	502,218	461,633	8.79 %
Intergovernmental	1,689,982	1,459,142	15.82 %
Investment income	1,129,984	422,248	167.61 %
Other	<u>1,091,016</u>	<u>279,883</u>	289.81 %
Total	<u>\$ 13,720,317</u>	<u>\$ 13,112,944</u>	4.63 %

Tax revenue represents 53.22% of all general fund revenue. Tax revenue decreased slightly by 5.38% over prior year. The increase in investment income is due to increasing interest rates throughout the year. The decrease in charges for services revenue is due to the County's decreased collections of charges for services. All other revenue remained comparable to 2004.

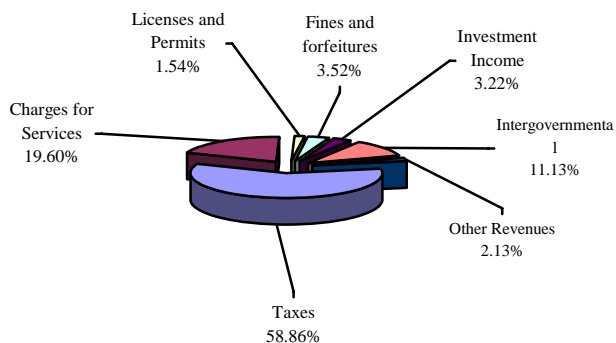
**FINANCIAL CONDITION
OTTAWA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

Revenues – Fiscal Year 2005



Revenues – Fiscal Year 2004



The table that follows assists in illustrating the expenditures of the general fund.

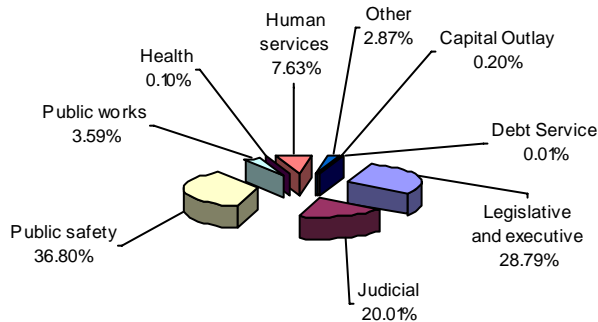
	<u>2005 Amount</u>	<u>2004 Amount</u>	<u>Percentage Change</u>
<u>Expenditures</u>			
General government			
Legislative and executive	\$ 3,645,239	\$ 3,925,178	(7.13) %
Judicial	2,532,926	2,141,782	18.26 %
Public safety	4,659,720	5,332,831	(12.62) %
Public works	454,336	10,101	4,397.93 %
Health	12,277	391,901	(96.87) %
Human services	965,729		100.00 %
Other	362,713	796,003	(54.43) %
Capital outlay	25,547		100.00 %
Debt service	1,036	-	100.00 %
Total	<u>\$ 12,659,523</u>	<u>\$ 12,597,796</u>	0.49 %

The most significant increases were in the areas of judicial general government, public works and human services. The decrease in health and other expenditures is due to the County's control of expenditures. All other expenditures remained comparable to 2004.

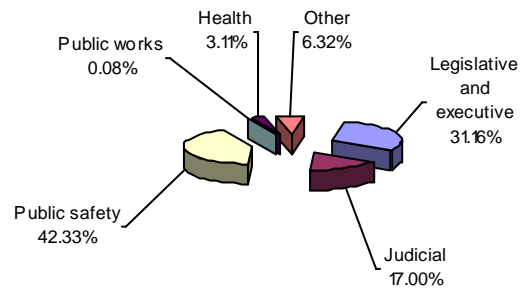
**FINANCIAL CONDITION
OTTAWA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

Expenditures - Fiscal Year 2005



Expenditures - Fiscal Year 2004



Road and Bridge Fund

The road and bridge fund, a major governmental fund, had revenues and other financing sources of \$5,493,508 in 2005. The road and bridge fund, had expenditures of \$5,083,290 in 2005. The road and bridge fund balance increased \$410,218 from 2004 to 2005.

Job and Family Services Fund

The job and family services fund, a major governmental fund, had revenues and other financing sources of \$3,611,673 in 2005. The job and family services fund, had expenditures and other financing uses of \$3,618,212 in 2005. The job and family services fund balance decreased \$6,539 from 2004 to 2005.

Board of Mental Retardation and Developmentally Disabled (MR/DD) Fund

The Board of Mental Retardation and Developmentally Disabled (MR/DD) fund, a major governmental fund, had revenues and other financing sources of \$7,332,178 in 2005. The Board of MR/DD fund, had expenditures and other financing uses of \$6,025,298 in 2005. The Board of MR/DD fund balance increased \$1,306,880 from 2004 to 2005.

Ottawa County Senior Programs Fund

The county senior programs fund, a major governmental fund, had revenues and other financing sources of \$495,278 in 2005. The county senior programs fund, had expenditures of \$205,346 in 2005. The county senior programs fund balance increased \$289,932 from 2004 to 2005.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

Special Assessment Bond Fund

The special assessment bond fund, a major governmental fund, had revenues and other financing sources of \$2,207,834 in 2005. The special assessment bond fund, had expenditures of \$2,232,321 in 2005. The special assessment bond fund balance decreased \$24,487 from 2004 to 2005.

Budgeting Highlights - General Fund

The County's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially the budget is the County's appropriations which are restricted by the amounts of anticipated revenues certified by the Budget Commission in accordance with the ORC. Therefore, the County's plans or desires cannot be totally reflected in the original budget. If budgeted revenues are adjusted due to actual activity then the appropriations can be adjusted accordingly.

Budgetary information is presented for the general fund, road and bridge fund, job and family services fund, County board of MR/DD and Ottawa County senior programs fund. In the general fund, there were no significant changes between the original and final budgeted revenues. Actual revenues and financing sources of \$15,512,698 exceeded final budgeted revenues by \$2,517,249. This increase is due to greater than anticipated receipts in advances in revenue. A significant difference between the original and final budget expenditures was an increase of \$1,108,483 in expenditures to cover the purchase of new vehicles for various departments and new computer equipment for various departments. A significant difference between the final budget and actual expenditures and financing uses was a \$984,214 increase in expenditures for additional transfers to cover funds with deficit balances.

Proprietary Funds

The County's proprietary funds provide the same type of information found in the government-wide financial statements for business-type activities, but in more detail.

Capital Assets and Debt Administration

Capital Assets

At the end of 2005, the County had \$174,088,779 (net of accumulated depreciation) invested in land, buildings and improvements, furniture and equipment, vehicles, construction in progress, sewer mains and infrastructure. The 2004 capital assets for business-type activities was restated due to errors and omissions (see Note 3.A for more detail). Of this total, \$34,115,416 was reported in governmental activities and \$139,973,363 was reported in business-type activities. The following table shows fiscal 2005 balances compared to 2004:

**FINANCIAL CONDITION
OTTAWA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

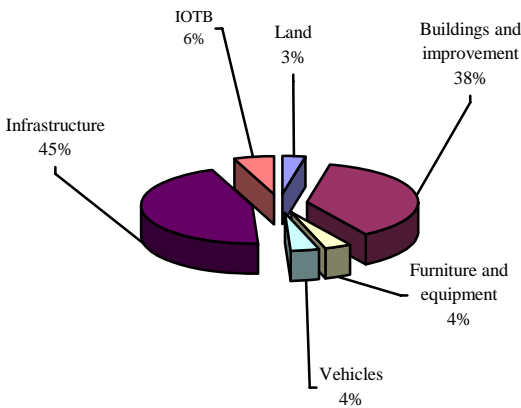
**Capital Assets at December 31
(Net of Depreciation)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2005	2004	2005	Restated 2004	2005	2004
Land	\$ 1,176,777	\$ 1,176,777	\$ 4,463,669	\$ 4,463,669	\$ 5,640,446	\$ 5,640,446
Building and improvements	12,868,072	13,120,893	14,717,910	11,708,040	27,585,982	24,828,933
Improvements other than buildings	1,953,389	2,065,013	17,527,370	15,355,416	19,480,759	17,420,429
Furniture and equipment	1,312,705	1,376,687	16,948,169	15,626,811	18,260,874	17,003,498
Vehicles	1,447,182	1,468,228	182,202	198,142	1,629,384	1,666,370
Infrastructure	15,357,291	14,622,748			15,357,291	14,622,748
Sewer/water lines			83,363,889	80,271,229	83,363,889	80,271,229
Construction in progress	-	-	2,770,154	10,983,078	2,770,154	10,983,078
Total	\$ 34,115,416	\$ 33,830,346	\$ 139,973,363	\$ 138,606,385	\$ 174,088,779	\$ 172,436,731

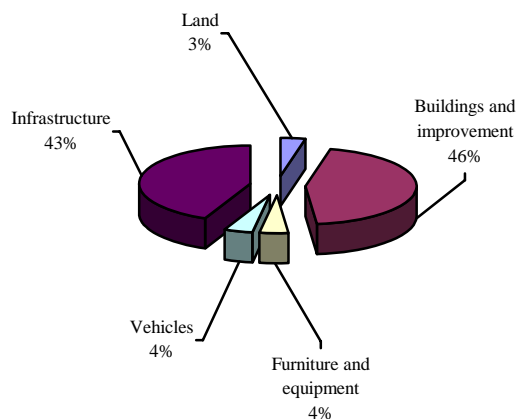
See Note 10 to the basic financial statements for detail on governmental activities and business-type activities capital assets.

The following graphs show the breakdown of governmental capital assets by category for 2005 and 2004.

Capital Assets - Governmental Activities 2005



Capital Assets - Governmental Activities 2004

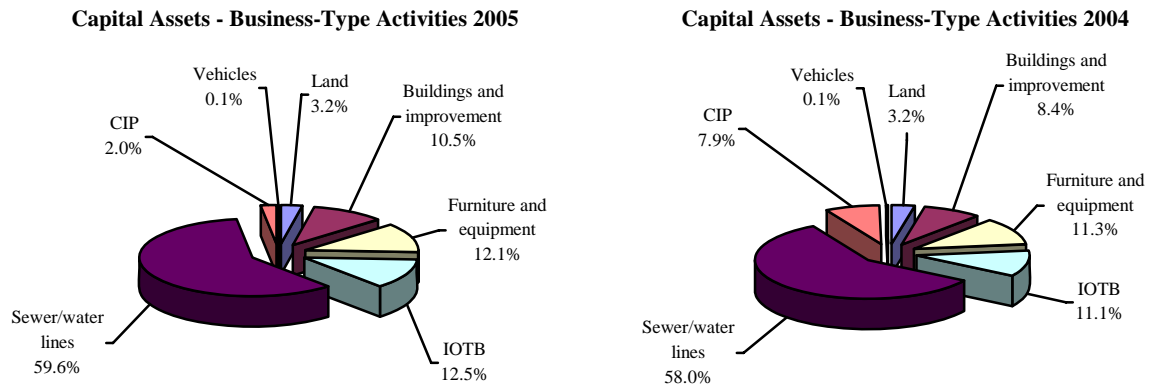


**FINANCIAL CONDITION
OTTAWA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

The County's largest capital asset category is infrastructure which includes roads, bridges and culverts. These items are immovable and of value only to the County, however, the annual cost of purchasing these items is quite significant. The net book value of the County's infrastructure (cost less accumulated depreciation) represents approximately 45% of the County's total governmental capital assets.

The following graphs show the breakdown of business-type capital assets by category for 2005 and 2004.



The County's largest business-type capital asset category is sewer and water lines. These items play a vital role in the income producing ability of the business-type activities. The net book value of the County's sewer and water lines (cost less accumulated depreciation) represents approximately 59.6% of the County's total business-type capital assets.

Debt Administration

At December 31, 2005, the County had \$23,700,910 in general obligation bonds, \$47,380,767 in OWDA loans, \$5,285,100 in special assessment bonds, \$1,242,149 in Ohio water and sewer loans, \$2,615,840 in OEPA loans and OPWC loans of \$1,065,290 outstanding. Of this total, \$4,038,536 is due within one year and \$77,251,520 is due within greater than one year. The following table summarizes the bonds and loans outstanding.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

	Outstanding Debt, at Year End			
	Governmental Activities 2005	Business-Type Activities 2005	Governmental Activities 2004	Business-Type Activities 2004
Long-Term Obligations				
General obligation bonds:	\$ 6,690,093	\$ 17,010,817	\$ 7,070,602	\$ 17,963,546
OWDA loans	14,477,005	32,903,762	15,199,488	33,793,887
Special assessment bonds	4,470,100	815,000	5,128,900	
Ohio water and sewer loans		1,242,149		1,291,038
OEPA loan		2,615,840		2,746,547
OPWC loans	-	1,065,290	-	1,027,936
Total	<u>\$ 25,637,198</u>	<u>\$ 55,652,858</u>	<u>\$ 27,398,990</u>	<u>\$ 56,822,954</u>

See Note 11 to the basic financial statements for detail on governmental activities and business-type activities long-term obligations.

Economic Factors and Next Year's Budgets and Rates

The County's current population as of the 2000 census is 38,943.

The County's unemployment rate is currently 3.0%, compared to the 6.1% state average and the 6.1% national average.

These economic factors were considered in preparing the County's budget for fiscal year 2006. With the continuation of conservative budgeting practices, the County's financial position should remain strong in future years.

Contacting the County's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Honorable JoEllen Regal, Ottawa County Auditor, 315 Madison St., Room 202, Port Clinton, Ohio 43452.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**Statement of Net Assets
Primary Government and Discretely Presented Component Unit
December 31, 2005**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets:				
Equity in pooled cash and cash equivalents	\$ 16,763,652	\$ 15,093,916	\$ 31,857,568	
Cash in segregated accounts	47,864		47,864	\$ 568,621
Cash with fiscal agents.		900,148	900,148	
Cash with escrow agents.		106,990	106,990	
Receivables (net of allowances for uncollectibles):				
Sales taxes	708,886		708,886	
Property taxes	8,955,252	608,462	9,563,714	
Other local taxes	32,548		32,548	
Accounts	128,801	1,338,337	1,467,138	165,878
Due from other governments.	3,547,840	1,205,474	4,753,314	
Special assessments	19,317,951	298,493	19,616,444	
Internal balances	122,488	(122,488)		
Prepayments	50,292	47,891	98,183	14,903
Materials and supplies inventory	397,986	538,958	936,944	4,774
Loans receivable	1,098,265		1,098,265	
Investment in joint ventures	271,458		271,458	
Unamortized bond issue costs	99,620	357,262	456,882	
Capital assets:				
Land and construction in progress	1,176,777	7,233,823	8,410,600	
Depreciable capital assets, net.	32,938,639	132,739,540	165,678,179	101,196
Total capital assets.	34,115,416	139,973,363	174,088,779	101,196
Total assets.	85,658,319	160,346,806	246,005,125	855,372
Liabilities:				
Accounts payable.	646,719	384,541	1,031,260	21,886
Contracts payable.	317,229	172,695	489,924	
Retainage payable		106,990	106,990	
Accrued wages and benefits	234,896	133,789	368,685	88,853
Due to other governments	396,775	655,412	1,052,187	8,389
Deferred revenue.	8,227,150	608,462	8,835,612	
Accrued interest payable.	418,785	664,538	1,083,323	
Claims payable	380,230		380,230	
Notes payable	1,500,000	500,000	2,000,000	
Long-term liabilities:				
Due within one year.	2,617,680	2,535,552	5,153,232	2,194
Due in more than one year	24,493,416	53,570,105	78,063,521	101,643
Total liabilities	39,232,880	59,332,084	98,564,964	222,965
Net assets:				
Invested in capital assets, net of related debt	28,880,166	84,070,716	112,950,882	71,002
Restricted for:				
Capital projects	90,463		90,463	
Debt service.	1,243,877		1,243,877	
Revenue bond current debt service		913,575	913,575	
Revenue bond renewal and replacement		1,395,907	1,395,907	
Revenue bond future debt service.		910,599	910,599	
Unclaimed monies	80,398		80,398	
Human service programs	5,138,733		5,138,733	
Public works projects.	4,727,734		4,727,734	
Public safety programs	761,620		761,620	
Other purposes	1,759,943		1,759,943	
Unrestricted.	3,742,505	13,723,925	17,466,430	561,405
Total net assets	\$ 46,425,439	\$ 101,014,722	\$ 147,440,161	\$ 632,407

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**FINANCIAL CONDITION
OTTAWA COUNTY**

**Statement of Activities
Primary Government and Discretely Presented Component Unit
For the Year Ended December 31, 2005**

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
General government:				
Legislative and executive	\$ 3,927,013	\$ 2,446,998		\$ 81,810
Judicial	2,755,522	689,766	\$ 112,242	
Public safety	5,406,336	186,790	742,453	
Public works	7,254,316	1,801,104	4,878,038	
Health	290,211	125,353		
Human services	13,512,455	679,334	8,440,920	
Conservation and recreation	102,228		91,861	
Economic development and assistance	4,869	2,703		
Other	303,415			
Interest and fiscal charges	1,134,600	843,862	51,070	
Total governmental activities	<u>34,690,965</u>	<u>6,775,910</u>	<u>14,316,584</u>	<u>81,810</u>
Business-Type Activities:				
Riverview Nursing Home	10,530,190	9,867,795	152,692	
Danbury Sewer	2,609,851	2,292,712		674,626
Regional Water	4,389,327	4,660,049		863,057
Catawaba Portage Sewer.	2,636,347	2,418,632		2,665,116
Other enterprise	294,550	220,470		
Total business-type activities	<u>20,460,265</u>	<u>19,459,658</u>	<u>152,692</u>	<u>4,202,799</u>
Total primary government.	<u>\$ 55,151,230</u>	<u>\$ 26,235,568</u>	<u>\$ 14,469,276</u>	<u>\$ 4,284,609</u>
Component Unit:				
Riverview Industries, Inc.	<u>\$ 2,301,996</u>	<u>\$ 2,495,816</u>		

General Revenues:

Property taxes levied for:	
General fund.	
Human services - County Board of MRDD.	
Human services - Ottawa County Senior Programs.	
Nursing home.	
Debt service.	
Sales taxes.	
Grants and entitlements not restricted to specific programs.	
Gain on sale of capital assets	
Investment earnings.	
Miscellaneous.	
Total general revenues	
Transfers	
Change in net assets	
Net assets at beginning of year (restated).	
Net assets at end of year.	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Unit
\$ (1,398,205)		\$ (1,398,205)	
(1,953,514)		(1,953,514)	
(4,477,093)		(4,477,093)	
(575,174)		(575,174)	
(164,858)		(164,858)	
(4,392,201)		(4,392,201)	
(10,367)		(10,367)	
(2,166)		(2,166)	
(303,415)		(303,415)	
(239,668)		(239,668)	
<u>(13,516,661)</u>		<u>(13,516,661)</u>	
	(509,703)	(509,703)	
	357,487	357,487	
	1,133,779	1,133,779	
	2,447,401	2,447,401	
	(74,080)	(74,080)	
	<u>3,354,884</u>	<u>3,354,884</u>	
<u>(13,516,661)</u>	<u>3,354,884</u>	<u>(10,161,777)</u>	
			193,820
2,765,689		2,765,689	
4,287,295		4,287,295	
420,281		420,281	
	523,225	523,225	
217,282		217,282	
4,834,958		4,834,958	
1,718,137		1,718,137	
1,129,984	12,840	1,142,824	5,926
2,306,507	167,088	2,473,595	7,769
<u>17,680,133</u>	<u>703,153</u>	<u>18,383,286</u>	<u>13,695</u>
<u>(504,592)</u>	<u>504,592</u>		
3,658,880	4,562,629	8,221,509	207,515
<u>42,766,559</u>	<u>96,452,093</u>	<u>139,218,652</u>	<u>424,892</u>
<u>\$ 46,425,439</u>	<u>\$ 101,014,722</u>	<u>\$ 147,440,161</u>	<u>\$ 632,407</u>

**FINANCIAL CONDITION
OTTAWA COUNTY**

**Balance Sheet
Governmental Funds
December 31, 2005**

	<u>General</u>	<u>Road and Bridge</u>	<u>Job and Family Services</u>
Assets:			
Equity in pooled cash and cash equivalents	\$ 1,310,724	\$ 2,294,469	\$ 249,658
Cash in segregated accounts.	41,163		
Receivables (net of allowance for uncollectibles):			
Sales taxes	708,886		
Property taxes	3,459,848		
Other local taxes		32,548	
Accounts	85,909	8,551	1,288
Special assessments.			
Interfund loans	1,229,933		
Due from other funds	6,918	5,977	9,274
Due from other governments	677,115	1,678,743	370,729
Prepayments.	28,730	7,585	2,681
Materials and supplies inventory	132,616	248,736	4,910
Loans receivable	506,600		
Restricted Assets:			
Equity in pooled cash and cash equivalents	80,398		
Total assets	<u><u>\$ 8,268,840</u></u>	<u><u>\$ 4,276,609</u></u>	<u><u>\$ 638,540</u></u>
Liabilities:			
Accounts payable	\$ 113,164	\$ 82,463	\$ 62,356
Contracts payable			
Accrued wages and benefits.	128,170	21,008	23,849
Compensated absences payable.	4,795		
Interfund loans payable			
Due to other funds	22,860		
Due to other governments	208,178	38,202	64,171
Accrued interest payable			
Notes payable			
Deferred revenue	4,385,004	1,407,889	359,257
Total liabilities	<u><u>4,862,171</u></u>	<u><u>1,549,562</u></u>	<u><u>509,633</u></u>
Fund Balances:			
Reserved for encumbrances.	208,162	133,123	98,241
Reserved for unclaimed monies.	80,398		
Reserved for loans	506,600		
Unreserved, undesignated (deficit), reported in:			
General fund.	2,611,509		
Special revenue funds		2,593,924	30,666
Debt service fund			
Capital projects funds			
Total fund balances	<u><u>3,406,669</u></u>	<u><u>2,727,047</u></u>	<u><u>128,907</u></u>
Total liabilities and fund balances.	<u><u>\$ 8,268,840</u></u>	<u><u>\$ 4,276,609</u></u>	<u><u>\$ 638,540</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Mental Retardation and Developmental Disabilities	Ottawa County Senior Programs	Special Assessment Bond	Other Governmental Funds	Total Governmental Funds
\$ 3,721,207	\$ 303,219	\$ 161,754	\$ 5,678,336 6,701	\$ 13,719,367 47,864
				708,886
4,820,973	438,934		235,497	8,955,252
			31,968	32,548
		19,211,958	105,993	127,716
				19,317,951
				1,229,933
				22,169
285,745	19,083		516,425	3,547,840
3,979			7,317	50,292
474			11,250	397,986
			591,665	1,098,265
				80,398
<u>\$ 8,832,378</u>	<u>\$ 761,236</u>	<u>\$ 19,373,712</u>	<u>\$ 7,185,152</u>	<u>\$ 49,336,467</u>
\$ 53,495	\$ 1,729		\$ 333,512	\$ 646,719
			317,229	317,229
25,883	2,176		33,810	234,896
			11,570	16,365
		43,192	672,605	715,797
	104		11,489	34,453
33,830	1,084		51,310	396,775
			22,562	22,562
			1,500,000	1,500,000
<u>4,987,899</u>	<u>456,697</u>	<u>19,211,958</u>	<u>680,314</u>	<u>31,489,018</u>
<u>5,101,107</u>	<u>461,790</u>	<u>19,255,150</u>	<u>3,634,401</u>	<u>35,373,814</u>
42,758	13,758		937,536	1,433,578
				80,398
			591,665	1,098,265
				2,611,509
3,688,513	285,688		2,252,769	8,851,560
		118,562	1,215,659	1,334,221
			(1,446,878)	(1,446,878)
<u>3,731,271</u>	<u>299,446</u>	<u>118,562</u>	<u>3,550,751</u>	<u>13,962,653</u>
<u>\$ 8,832,378</u>	<u>\$ 761,236</u>	<u>\$ 19,373,712</u>	<u>\$ 7,185,152</u>	<u>\$ 49,336,467</u>

**FINANCIAL CONDITION
OTTAWA COUNTY**

**Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
December 31, 2005**

Total governmental fund balances		\$ 13,962,653
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		34,115,416
The investment in joint venture is not a financial resource and, therefore, is not reported in the funds.		271,458
Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in the funds.		99,620
The internal service fund is used by management to charge the cost of insurance to individual funds. The assets and liabilities of the internal service fund (including internal balances of \$379,364) are included in governmental activities in the statement of net assets.		2,205,378
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Property taxes receivable	\$ 728,102	
Sales tax receivable	363,396	
Intergovernmental receivables	2,852,419	
Special assessments receivable	<u>19,317,951</u>	
Total		23,261,868
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds	(6,690,093)	
Special assessment bonds	(4,470,100)	
OWDA loans	(14,477,005)	
Compensated absences	(1,406,677)	
Capital lease payable	(50,856)	
Accrued interest payable	<u>(396,223)</u>	
Total		<u>(27,490,954)</u>
Net assets of governmental activities		<u>\$ 46,425,439</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**FINANCIAL CONDITION
OTTAWA COUNTY**

**Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2005**

	General	Road and Bridge	Job and Family Services	Mental Retardation Developmental Disabilities
Revenues:				
Property taxes	\$ 2,555,412			\$ 4,009,075
Sales taxes	4,747,116			
Other local taxes		\$ 547,355		40,697
Charges for services	1,785,226	1,426,727		422,290
Licenses and permits	219,363			
Fines and forfeitures	502,218	29,008		
Intergovernmental	1,689,982	3,412,058	\$ 2,824,954	2,840,489
Special assessments				
Investment income	1,129,984			
Other	1,091,016	9,879	184,801	11,917
Total revenues	13,720,317	5,425,027	3,009,755	7,324,468
Expenditures:				
Current:				
General government:				
Legislative and executive	3,645,239			
Judicial	2,532,926			
Public safety	4,659,720			
Public works	454,336	5,083,290		
Health	12,277			
Human services	965,729		3,508,212	5,912,623
Conservation and recreation				
Economic development and assistance				
Other	362,713			
Capital outlay	25,547			
Debt service:				
Principal retirement	698			11,772
Interest and fiscal charges	338			903
Total expenditures	12,659,523	5,083,290	3,508,212	5,925,298
Excess (deficiency) of revenues over (under) expenditures	1,060,794	341,737	(498,457)	1,399,170
Other financing sources (uses):				
Sale of capital assets	15,901			
Transfers in	319,612	68,481	601,918	
Transfers out	(1,102,834)		(110,000)	(100,000)
Capital lease	25,547			7,710
Total other financing sources (uses)	(741,774)	68,481	491,918	(92,290)
Net change in fund balances	319,020	410,218	(6,539)	1,306,880
Fund balances at beginning of year	3,087,649	2,316,829	135,446	2,424,391
Fund balances at end of year	\$ 3,406,669	\$ 2,727,047	\$ 128,907	\$ 3,731,271

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Ottawa County Senior Programs	Special Assessment Bond	Other Governmental Funds	Total Governmental Funds
\$ 396,057		\$ 203,898	\$ 7,164,442
		355	4,747,471
3,206			591,258
		1,360,094	4,994,337
		110,960	330,323
		21,814	553,040
89,562		4,700,905	15,557,950
	\$ 2,207,210	72,839	2,280,049
			1,129,984
		1,008,897	2,306,510
<u>488,825</u>	<u>2,207,210</u>	<u>7,479,762</u>	<u>39,655,364</u>
		934,447	4,579,686
		273,570	2,806,496
		919,667	5,579,387
		919,593	6,457,219
		108,727	121,004
205,346		3,074,431	13,666,341
		75,170	75,170
		2,703	2,703
		4,223	366,936
		1,415,556	1,441,103
	1,381,283	482,000	1,875,753
	851,038	302,892	1,155,171
<u>205,346</u>	<u>2,232,321</u>	<u>8,512,979</u>	<u>38,126,969</u>
<u>283,479</u>	<u>(25,111)</u>	<u>(1,033,217)</u>	<u>1,528,395</u>
			15,901
6,453	624	923,761	1,920,849
		(1,190,770)	(2,503,604)
			33,257
<u>6,453</u>	<u>624</u>	<u>(267,009)</u>	<u>(533,597)</u>
289,932	(24,487)	(1,300,226)	994,798
9,514	143,049	4,850,977	12,967,855
<u>\$ 299,446</u>	<u>\$ 118,562</u>	<u>\$ 3,550,751</u>	<u>\$ 13,962,653</u>

**FINANCIAL CONDITION
OTTAWA COUNTY**

Reconciliation fo Statement of Revenue, Expenditures, and Changes in Fund Balances
of Governmental Funds to Statement of Activities
For the Year Ended December 31, 2005

Net change in fund balances - total governmental funds \$ 994,798

*Amounts reported for governmental activities in the
statement of activities are different because:*

Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.

Capital outlays	1,934,964	
Depreciation expense	<u>(1,552,665)</u>	382,299

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (97,229)

Proceeds of capital lease transactions provides current financial resources to governmental funds, but the lease obligation increases liabilities on the statement of net assets. (33,257)

The increase in investment in joint venture on the statement of activities did not require the use of current financial resources and, therefore, is not reported as a revenue in the governmental funds. 142,348

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (800,927)

Repayment of bond, note and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 1,875,753

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in less interest being reported on the statement of activities:

Decrease in accrued interest payable	26,907	
Amortization of bond premiums	11,240	
Amortization of deferred charges on refundings	(12,731)	
Amortization of bond issue costs	<u>(4,845)</u>	20,571

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (75,965)

The internal service fund used by management to charge the cost of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund (including internal balance activity of \$138,484) is allocated among the governmental activities. 1,250,489

Change in net assets of governmental activities. \$ 3,658,880

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION
OTTAWA COUNTY**

**Statement of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
General Fund
For the Year Ended December 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 2,742,500	\$ 2,742,500	\$ 2,542,108	\$ (200,392)
Sales taxes	4,800,000	4,800,000	4,813,930	13,930
Charges for services	1,780,932	1,780,932	1,786,005	5,073
Licenses and permits.	204,200	204,200	222,665	18,465
Fines and forfeitures.	453,350	453,350	497,306	43,956
Intergovernmental	1,070,000	1,070,000	1,696,039	626,039
Investment income	460,000	460,000	1,066,000	606,000
Other	1,275,467	1,275,467	1,112,447	(163,020)
Total revenues.	<u>12,786,449</u>	<u>12,786,449</u>	<u>13,736,500</u>	<u>950,051</u>
Expenditures:				
Current:				
General government:				
Legislative and executive	3,796,802	4,071,717	3,939,467	132,250
Judicial.	2,183,535	2,329,504	2,270,992	58,512
Public safety	5,237,197	5,451,926	5,399,486	52,440
Public works	27,813	41,313	40,086	1,227
Health	414,421	384,874	376,751	8,123
Human services	548,938	548,870	543,682	5,188
Other	327,078	401,063	415,088	(14,025)
Total expenditures	<u>12,535,784</u>	<u>13,229,267</u>	<u>12,985,552</u>	<u>243,715</u>
Excess (deficiency) of revenues over (under) expenditures	<u>250,665</u>	<u>(442,818)</u>	<u>750,948</u>	<u>1,193,766</u>
Other financing sources (uses):				
Proceeds from sale of capital assets.	5,000	5,000	15,901	10,901
Transfers in.	204,000	204,000	319,612	115,612
Transfers out	(692,130)	(1,107,130)	(1,105,127)	2,003
Advances in.			1,440,685	1,440,685
Advances out			(1,229,932)	(1,229,932)
Total other financing sources (uses)	<u>(483,130)</u>	<u>(898,130)</u>	<u>(558,861)</u>	<u>339,269</u>
Net change in fund balance	(232,465)	(1,340,948)	192,087	1,533,035
Fund balance at beginning of year	269,810	269,810	269,810	
Prior year encumbrances appropriated	<u>373,167</u>	<u>373,167</u>	<u>373,167</u>	
Fund balance at end of year.	<u>\$ 410,512</u>	<u>\$ (697,971)</u>	<u>\$ 835,064</u>	<u>\$ 1,533,035</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION
OTTAWA COUNTY**

**Statement of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
Road and Bridge Fund
For the Year Ended December 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Other local taxes	\$ 480,000	\$ 480,000	\$ 452,027	\$ (27,973)
Charges for services	750,000	750,000	1,432,082	682,082
Fines and forfeitures.	30,000	30,000	29,856	(144)
Intergovernmental	3,440,000	3,440,000	3,500,986	60,986
Other.	<u>1,000</u>	<u>1,000</u>	<u>826</u>	<u>(174)</u>
Total revenues	<u>4,701,000</u>	<u>4,701,000</u>	<u>5,415,777</u>	<u>714,777</u>
Expenditures:				
Current:				
Public works	<u>6,305,007</u>	<u>6,496,487</u>	<u>5,471,994</u>	<u>1,024,493</u>
Total expenditures	<u>6,305,007</u>	<u>6,496,487</u>	<u>5,471,994</u>	<u>1,024,493</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,604,007)</u>	<u>(1,795,487)</u>	<u>(56,217)</u>	<u>1,739,270</u>
Other financing sources:				
Transfers in.	<u>24,000</u>	<u>24,000</u>	<u>68,481</u>	<u>44,481</u>
Total other financing sources	<u>24,000</u>	<u>24,000</u>	<u>68,481</u>	<u>44,481</u>
Net change in fund balance	(1,580,007)	(1,771,487)	12,264	1,783,751
Fund balance at beginning of year	1,896,610	1,896,610	1,896,610	
Prior year encumbrances appropriated	<u>168,956</u>	<u>168,956</u>	<u>168,956</u>	
Fund balance at end of year.	<u>\$ 485,559</u>	<u>\$ 294,079</u>	<u>\$ 2,077,830</u>	<u>\$ 1,783,751</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION
OTTAWA COUNTY**

**Statement of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
Job and Family Services Fund
For the Year Ended December 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 3,529,794	\$ 3,529,794	\$ 2,813,538	\$ (716,256)
Other	183,500	183,500	175,992	(7,508)
Total revenues.	<u>3,713,294</u>	<u>3,713,294</u>	<u>2,989,530</u>	<u>(723,764)</u>
Expenditures:				
Current:				
Human services	4,221,920	4,257,530	3,683,369	574,161
Total expenditures	<u>4,221,920</u>	<u>4,257,530</u>	<u>3,683,369</u>	<u>574,161</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(508,626)</u>	<u>(544,236)</u>	<u>(693,839)</u>	<u>(149,603)</u>
Other financing sources (uses):				
Transfers in.	496,059	496,059	601,917	105,858
Transfers out	(200,000)	(200,000)	(110,000)	90,000
Total other financing sources (uses)	<u>296,059</u>	<u>296,059</u>	<u>491,917</u>	<u>195,858</u>
Net change in fund balance	(212,567)	(248,177)	(201,922)	46,255
Fund balance at beginning of year	35,771	35,771	35,771	
Prior year encumbrances appropriated	<u>212,567</u>	<u>212,567</u>	<u>212,567</u>	
Fund balance at end of year.	<u>\$ 35,771</u>	<u>\$ 161</u>	<u>\$ 46,416</u>	<u>\$ 46,255</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION
OTTAWA COUNTY**

**Statement of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
Mental Retardation and Development Disabilities Fund
For the Year Ended December 31, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
Revenues:				
Property taxes	\$ 4,195,000	\$ 4,195,000	\$ 4,034,864	\$ (160,136)
Charges for services	125,000	125,000	328,931	203,931
Intergovernmental	1,700,000	1,700,000	2,830,154	1,130,154
Other	11,000	11,000	20,817	9,817
Total revenues.	<u>6,031,000</u>	<u>6,031,000</u>	<u>7,214,766</u>	<u>1,183,766</u>
Expenditures:				
Current:				
Human services	6,718,776	6,717,712	5,566,127	1,151,585
Total expenditures	<u>6,718,776</u>	<u>6,717,712</u>	<u>5,566,127</u>	<u>1,151,585</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(687,776)</u>	<u>(686,712)</u>	<u>1,648,639</u>	<u>2,335,351</u>
Other financing sources (uses):				
Transfers in.	350,000	350,000	50,000	(300,000)
Transfers out	<u>(735,589)</u>	<u>(735,589)</u>	<u>(585,589)</u>	<u>150,000</u>
Total other financing sources (uses)	<u>(385,589)</u>	<u>(385,589)</u>	<u>(535,589)</u>	<u>(150,000)</u>
Net change in fund balance	(1,073,365)	(1,072,301)	1,113,050	2,185,351
Fund balance at beginning of year	2,165,127	2,165,127	2,165,127	
Prior year encumbrances appropriated	<u>261,865</u>	<u>261,865</u>	<u>261,865</u>	
Fund balance at end of year.	<u>\$ 1,353,627</u>	<u>\$ 1,354,691</u>	<u>\$ 3,540,042</u>	<u>\$ 2,185,351</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION
OTTAWA COUNTY**

**Statement of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
Ottawa County Senior Programs Fund
For the Year Ended December 31, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 422,800	\$ 422,800	\$ 400,458	\$ (22,342)
Intergovernmental	30,000	30,000	90,552	60,552
Total revenues.	<u>452,800</u>	<u>452,800</u>	<u>491,010</u>	<u>38,210</u>
Expenditures:				
Current:				
Human services	374,322	432,144	216,947	215,197
Total expenditures	<u>374,322</u>	<u>432,144</u>	<u>216,947</u>	<u>215,197</u>
Excess (deficiency) of revenues over (under) expenditures	<u>78,478</u>	<u>20,656</u>	<u>274,063</u>	<u>253,407</u>
Other financing sources (uses):				
Transfers in.	2,000	51,900	56,353	4,453
Transfers out	(49,900)	(49,900)	(49,900)	
Advances out			(3,480)	(3,480)
Total other financing sources (uses)	<u>(47,900)</u>	<u>2,000</u>	<u>2,973</u>	<u>973</u>
Net change in fund balance	30,578	22,656	277,036	254,380
Fund balance at beginning of year				
Prior year encumbrances appropriated	<u>1,847</u>	<u>1,847</u>	<u>1,847</u>	
Fund balance at end of year.	<u>\$ 32,425</u>	<u>\$ 24,503</u>	<u>\$ 278,883</u>	<u>\$ 254,380</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION
OTTAWA COUNTY**

**Statement of Fund Net Assets
Proprietary Funds
December 31, 2005**

	Business Type Activities			
	Riverview Nursing Home	Danbury Sewer	Regional Water	Catawba Portage Sewer
Assets:				
Current Assets:				
Equity in pooled cash and cash equivalents	\$ 3,143,648	\$ 2,273,580	\$ 4,877,926	\$ 1,037,398
Receivables (net of allowance for uncollectibles):				
Property taxes	608,462			
Accounts	655,431	186,783	331,440	164,683
Special assessments.			67,400	
Due from other funds	15,207			
Due from other governments	731,763	473,711		
Materials and supplies inventory	12,703	75,326	314,590	136,339
Prepayments.	33,501	2,968	8,091	3,308
Restricted Assets:				
Equity in pooled cash and cash equivalents		2,262,391		957,690
Cash with fiscal agents.		604,945		295,203
Cash with escrow agents.		40,270		66,720
Total current assets	5,200,715	5,919,974	5,599,447	2,661,341
Noncurrent Assets:				
Unamortized bond issuance costs	48,535	90,796		217,931
Capital assets:				
Land		2,408,034	1,480,297	2,932,325
Depreciable capital assets, net	5,599,902	26,146,411	66,932,073	30,407,126
Total noncurrent assets	5,648,437	28,645,241	68,412,370	33,557,382
Total assets	10,849,152	34,565,215	74,011,817	36,218,723
Liabilities:				
Current Liabilities:				
Accounts payable.	218,490	38,564	70,071	57,151
Compensated absences.	196,667	31,288	62,577	33,375
Contracts payable.			106,767	
Accrued wages and benefits	101,848	7,642	15,635	8,629
Due to other funds	2,923	290	35	190
Due to other governments	605,848	10,944	16,991	21,623
Interfund payable.		115,416	54,185	
Deferred revenue	608,462			
Accrued interest payable	14,137	124,655	428,465	28,460
General obligation revenue bonds payable	351,000	242,594	30,800	10,000
Special assessment bonds payable				22,000
OWDA loans payable		58,661	1,117,253	
OPWC loans payable		35,729	12,897	15,376
OEPA loans payable.			136,014	
Liabilities payable from restricted assets:				
Accrued interest payable.		25,999		39,813
General obligation revenue bonds payable		35,000		165,000
Retainage payable.		40,270		66,720
Notes payable				500,000
Claims payable.				
Total Current Liabilities	2,099,375	767,052	2,051,690	968,337

Business Type Activities		Governmental
Other	Total	Activity -
Enterprise	Enterprise	Internal
		Service
\$ 541,283	\$ 11,873,835	\$ 2,963,887
	608,462	
	1,338,337	1,085
231,093	298,493	
515	15,722	
	1,205,474	
	538,958	
23	47,891	
	3,220,081	
	900,148	
	106,990	
<u>772,914</u>	<u>20,154,391</u>	<u>2,964,972</u>
	357,262	
413,167	7,233,823	
<u>3,654,028</u>	<u>132,739,540</u>	
<u>4,067,195</u>	<u>140,330,625</u>	
<u>4,840,109</u>	<u>160,485,016</u>	<u>2,964,972</u>
265	384,541	
51	323,958	
65,928	172,695	
35	133,789	
	3,438	
6	655,412	
344,535	514,136	
	608,462	
3,009	598,726	
27,000	661,394	
	22,000	
	1,175,914	
12,270	76,272	
	136,014	
	65,812	
	200,000	
	106,990	
	500,000	
		<u>380,230</u>
<u>453,099</u>	<u>6,339,553</u>	<u>380,230</u>

- - (continued)

**FINANCIAL CONDITION
OTTAWA COUNTY**

**Statement of Fund Net Assets
Proprietary Funds
December 31, 2005
(continued)**

	Business Type Activities			
	Riverview Nursing Home	Danbury Sewer	Regional Water	Catawba Portage Sewer
Non-Current Liabilities:				
General obligation revenue bonds payable	\$ 2,685,258	\$ 4,365,116	\$ 1,811,600	\$ 7,127,449
Special assessment bonds payable				793,000
OWDA loans payable		5,449,916	26,277,932	
OPWC loans payable		294,272	232,293	247,942
Ohio water and sewer loans payable		87,862	1,101,797	39,362
OEPA loans payable			2,479,826	
Compensated absences	57,290	17,587	35,174	18,761
Total Non-Current Liabilities	2,742,548	10,214,753	31,938,622	8,226,514
Total liabilities	4,841,923	10,981,805	33,990,312	9,194,851
Net assets:				
Invested in capital assets	2,563,644	18,114,685	35,211,958	24,419,322
Restricted for:				
Revenue Bond Current Debt Service		708,864		204,711
Revenue Bond Renewal and Replacement		840,439		555,468
Revenue Bond Future Debt Service		713,088		197,511
Unrestricted	3,443,585	3,206,334	4,809,547	1,646,860
Total net assets	\$ 6,007,229	\$ 23,583,410	\$ 40,021,505	\$ 27,023,872

Net assets reported for business-type activities on the statement of net assets is different because it includes a proportionate share of the balance of the internal service fund.

Net assets of business-type activities

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Business Type Activities		Governmental
Other	Total	Activity -
Enterprise	Enterprise	Internal
		Service
\$ 160,000	\$ 16,149,423	
	793,000	
	31,727,848	
214,511	989,018	
13,128	1,242,149	
	2,479,826	
29	128,841	
<u>387,668</u>	<u>53,510,105</u>	
<u>840,767</u>	<u>59,849,658</u>	<u>380,230</u>
3,761,107	84,070,716	
	913,575	
	1,395,907	
	910,599	
<u>238,235</u>	<u>13,344,561</u>	<u>2,584,742</u>
<u>\$ 3,999,342</u>	<u>100,635,358</u>	<u>\$ 2,584,742</u>
	<u>379,364</u>	
	<u>\$ 101,014,722</u>	

**FINANCIAL CONDITION
OTTAWA COUNTY**

**Statement of Revenues, Expenses, and
Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2005**

	Business Type Activities			
	Riverview Nursing Home	Danbury Sewer	Regional Water	Catawba Portage Sewer
Operating revenues:				
Charges for services	\$ 9,867,795	\$ 2,292,712	\$ 4,627,600	\$ 2,203,969
Other	55,992	15,185	63,561	32,327
Total operating revenues	<u>9,923,787</u>	<u>2,307,897</u>	<u>4,691,161</u>	<u>2,236,296</u>
Operating expenses:				
Personal services	7,222,017	559,061	1,110,191	595,215
Contract services	2,138,176	558,762	422,079	404,517
Materials and supplies	807,365	73,803	368,507	136,382
Depreciation	108,708	929,300	1,613,513	1,112,064
Claims				
Other	2,023	53,308		1,499
Total operating expenses	<u>10,278,289</u>	<u>2,174,234</u>	<u>3,514,290</u>	<u>2,249,677</u>
Operating income (loss)	(354,502)	133,663	1,176,871	(13,381)
Nonoperating revenues (expenses):				
Property taxes	523,225			
Special assessments			32,449	214,663
Grants	152,692	490,777		
Interest revenue		822		12,018
Interest expense and fiscal charges	(143,777)	(427,957)	(861,831)	(382,356)
Total nonoperating revenues (expenses)	<u>532,140</u>	<u>63,642</u>	<u>(829,382)</u>	<u>(155,675)</u>
Income (loss) before capital contributions and transfers	177,638	197,305	347,489	(169,056)
Capital contributions		183,849	863,057	2,665,116
Transfers in	18,475	211,391	353,933	120,318
Transfers out			(125,800)	
Changes in net assets	196,113	592,545	1,438,679	2,616,378
Net assets at beginning of year (restated)	<u>5,811,116</u>	<u>22,990,865</u>	<u>38,582,826</u>	<u>24,407,494</u>
Net assets at end of year	<u>\$ 6,007,229</u>	<u>\$ 23,583,410</u>	<u>\$ 40,021,505</u>	<u>\$ 27,023,872</u>

The change in net assets reported for business-type activities on the statement of activities is different because it includes a proportionate share of the net income of the internal service fund.

Change in net assets of business-type activities

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Business Type Activities		Governmental
Other	Total	Activity -
Enterprise	Enterprise	Internal
		Service
\$ 2,967	\$ 18,995,043	\$ 3,920,295
24	167,089	41,157
<u>2,991</u>	<u>19,162,132</u>	<u>3,961,452</u>
590	9,487,074	
124,925	3,648,459	569,812
	1,386,057	
154,033	3,917,618	
		2,357,798
	<u>56,830</u>	
<u>279,548</u>	<u>18,496,038</u>	<u>2,927,610</u>
(276,557)	666,094	1,033,842
	523,225	
217,503	464,615	
	643,469	
	12,840	
<u>(9,823)</u>	<u>(1,825,744)</u>	
<u>207,680</u>	<u>(181,595)</u>	
(68,877)	484,499	1,033,842
	3,712,022	
44,575	748,692	78,163
<u>(118,300)</u>	<u>(244,100)</u>	
(142,602)	4,701,113	1,112,005
<u>4,141,944</u>		<u>1,472,737</u>
<u>\$ 3,999,342</u>		<u>\$ 2,584,742</u>
	<u>(138,484)</u>	
	<u>\$ 4,562,629</u>	

**FINANCIAL CONDITION
OTTAWA COUNTY**

**Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2005**

	Business Type Activities			
	Riverview Nursing Home	Danbury Sewer	Regional Water	Catawba Portage Sewer
Cash flows from operating activities:				
Cash received from customers	\$ 9,821,674	\$ 2,330,859	\$ 4,660,093	\$ 2,196,335
Cash received for other revenues	59,312	22,367	66,395	31,961
Cash received from transactions with other funds				
Cash payments for personal services	(6,957,413)	(563,248)	(1,103,288)	(578,962)
Cash payments for contract services	(2,120,972)	(753,568)	(552,978)	(382,436)
Cash payments to suppliers	(793,971)	(81,377)	(387,866)	(177,702)
Cash payments for claims				
Cash payments for other expenses.	(2,153)	(53,308)		(1,499)
Net cash provided by (used in) operating activities.	<u>6,477</u>	<u>901,725</u>	<u>2,682,356</u>	<u>1,087,697</u>
Cash flows from noncapital financing activities:				
Property taxes	522,992			
Advances in		876,827	54,185	
Advances out.		(1,045,090)	(392,705)	(289,881)
Transfers in	18,475	211,391	353,933	120,318
Transfers out.			(125,800)	
Net cash provided by (used in) noncapital financing activities	<u>541,467</u>	<u>43,128</u>	<u>(110,387)</u>	<u>(169,563)</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(223,293)	(163,962)	(528,456)	(1,029,224)
Grants.	160,452	241,014		1,009,320
Special assessments			33,515	214,663
Proceeds from notes				1,750,000
Proceeds from bonds				815,000
Bond issuance costs				(14,527)
Proceeds of Ohio Water and Sewer Loans				28,990
Proceeds from OWDA Loan		969,035	508,137	171,246
Principal paid on notes.				(3,135,000)
Interest paid on notes.				(53,452)
Principal paid on general obligation revenue bonds	(339,000)	(781,081)	(29,400)	(160,000)
Interest paid on general obligation revenue bonds	(115,503)	(348,011)	(88,911)	(386,681)
Principal paid on Ohio Water and Sewer Loans			(70,315)	(2,304)
Principal paid on from OWDA Loans			(1,094,911)	
Interest paid on from OWDA Loans.			(669,634)	
Principal paid on from OPWC Loans			(8,547)	(8,349)
Interest paid on from OPWC Loans				(3,944)
Principal paid on from OEPA Loans			(130,707)	
Interest paid on from OEPA Loans			(109,111)	
Net cash provided by (used in) capital and related financing activities.	<u>(517,344)</u>	<u>(83,005)</u>	<u>(2,188,340)</u>	<u>(804,262)</u>
Cash flows from investing activities:				
Cash received from interest		822		12,018
Net cash provide by (used for) investing activities		<u>822</u>		<u>12,018</u>
Net increase in cash and cash equivalents	30,600	862,670	383,629	125,890
Cash and cash equivalents at beginning of year	<u>3,113,048</u>	<u>4,318,516</u>	<u>4,494,297</u>	<u>2,231,121</u>
Cash and cash equivalents at end of year	<u>\$ 3,143,648</u>	<u>\$ 5,181,186</u>	<u>\$ 4,877,926</u>	<u>\$ 2,357,011</u>

Business Type Activities		Governmental
Other	Total	Activity -
Enterprise	Enterprise	Internal
		Service
\$ 2,502	\$ 19,011,463	
24	180,059	\$ 40,322
		3,920,045
(1,811)	(9,204,722)	
(77,501)	(3,887,455)	(569,812)
	(1,440,916)	
		(2,554,112)
	(56,960)	
<u>(76,786)</u>	<u>4,601,469</u>	<u>836,443</u>
	522,992	
344,602	1,275,614	3,619
(9,734)	(1,737,410)	
44,575	748,692	78,163
<u>(118,300)</u>	<u>(244,100)</u>	
<u>261,143</u>	<u>565,788</u>	<u>81,782</u>
(207,948)	(2,152,883)	
50,528	1,461,314	
221,890	470,068	
	1,750,000	
	815,000	
	(14,527)	
	28,990	
	1,648,418	
	(3,135,000)	
	(53,452)	
(28,000)	(1,337,481)	
(10,216)	(949,322)	
	(72,619)	
	(1,094,911)	
	(669,634)	
(12,270)	(29,166)	
	(3,944)	
	(130,707)	
	<u>(109,111)</u>	
<u>13,984</u>	<u>(3,578,967)</u>	
	12,840	
	<u>12,840</u>	
198,341	1,601,130	918,225
342,942	14,499,924	2,045,662
<u>\$ 541,283</u>	<u>\$ 16,101,054</u>	<u>\$ 2,963,887</u>

-- (continued)

**FINANCIAL CONDITION
OTTAWA COUNTY**

**Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2005
(continued)**

	Business Type Activities			
	Riverview Nursing Home	Danbury Sewer	Regional Water	Catawba Portage Sewer
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (354,502)	\$ 133,663	\$ 1,176,871	\$ (13,381)
Adjustments:				
Depreciation	108,708	929,300	1,613,513	1,112,064
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	545,233	37,622	24,021	(11,450)
(Increase) decrease in due from other funds	(14,561)	7,477	7,587	3,166
(Increase) decrease in due from other governments	(573,473)	499,981		284
(Increase) decrease in prepayments	(12,745)	2,405	1,079	100
(Increase) decrease in materials and supplies inventory	1,026	(3,523)	(22,315)	(42,860)
Increase (decrease) in accounts payable	50,148	(247,873)	(9,263)	15,936
Increase (decrease) in contracts payable		(285,920)	(118,791)	(1,026)
Increase (decrease) in accrued wages and benefits	12,739	(2,918)	(857)	(848)
Increase (decrease) in due to other funds.	1,450	290	35	190
Increase (decrease) in retainage payable		(169,107)		10,771
Increase (decrease) in due to other governments.	171,206	(4,255)	1,082	9,748
Increase (decrease) in compensated absences payable	71,248	4,583	9,394	5,003
Increase (decrease) in claims payable				
Total Adjustments	360,979	768,062	1,505,485	1,101,078
Net cash provided by (used in) operating activities	<u>\$ 6,477</u>	<u>\$ 901,725</u>	<u>\$ 2,682,356</u>	<u>\$ 1,087,697</u>
Non-cash transactions:				
Contributions from developers.		<u>\$ 183,849</u>	<u>\$ 863,057</u>	<u>\$ 2,665,116</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Business Type Activities		Governmental
Other	Total	Activity -
Enterprise	Enterprise	Internal
		Service
\$ (276,557)	\$ 666,094	\$ 1,033,842
154,033	3,917,618	
	595,426	(1,085)
19	3,688	
(1,125)	(74,333)	
15	(9,146)	
	(67,672)	
(14,740)	(205,792)	
61,665	(344,072)	
(13)	8,103	
	1,965	
	(158,336)	
(57)	177,724	
(26)	90,202	
		(196,314)
199,771	3,935,375	(197,399)
<u>\$ (76,786)</u>	<u>\$ 4,601,469</u>	<u>\$ 836,443</u>
	<u>\$ 3,712,022</u>	

**FINANCIAL CONDITION
OTTAWA COUNTY**

**Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2005**

		Agency
Assets:		
Equity in pooled cash and cash equivalents	\$	4,996,770
Cash in segregated accounts		772,737
Receivables:		
Property taxes.		55,862,429
Accrued interest.		29
Due from other governments		3,304,576
Prepayments		122
		122
Total assets	\$	64,936,663
Liabilities:		
Accounts payable	\$	64,007
Due to other governments.		60,933,141
Undistributed assets.		3,939,515
		3,939,515
Total liabilities	\$	64,936,663

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 1 - DESCRIPTION OF THE COUNTY

Ottawa County, Ohio (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 as well as 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The County also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The County has the option to also apply FASB Statements and Interpretations issued after November 30, 1989 to its business-type activities and enterprise fund, subject to this same limitation. The County has elected not to apply these FASB Statements and Interpretations.

The most significant of the County's accounting policies are described below.

A. Reporting Entity

The County's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity", and as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The financial statements include all funds, agencies, boards, commissions, and component units for which the County and the County Commissioners are "accountable". Accountability was evaluated based on financial accountability, the nature and significance of the potential component unit's (PCU) relationship with the County and whether exclusion would cause the County's basic financial statements to be misleading or incomplete. Among the factors considered were separate legal standing; appointment of a voting majority of the PCU's board; fiscal dependency and whether a benefit or burden relationship exists; imposition of will; and the nature and significance of the PCU's relationship with the County.

Based on the foregoing criteria, the financial activities of the following PCUs have been reflected in the accompanying financial statements as follows:

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

DISCRETELY PRESENTED COMPONENT UNIT

The component unit column on the financial statements identifies the financial data of the County's component unit, Riverview Industries, Inc. It is reported separately to emphasize that it is legally separate from the County. Information about this component unit is presented in Note 21 to the basic financial statements.

Riverview Industries, Inc. - Riverview Industries is a legally separate, not-for-profit corporation served by a self-appointing board of trustees. Riverview Industries, under a contractual agreement with the Ottawa County Board of Mental Retardation and Development Disabilities (MRDD), provides sheltered employment for mentally retarded or handicapped adults in Ottawa County. The Ottawa County Board of MRDD provides Riverview Industries with all expenses and personnel for the operation of Riverview 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 Riverview Industries. Based on the significant services and resources provided by the County to retarded and handicapped adults of Ottawa County, Riverview Industries is presented as a component unit of Ottawa County. Riverview Industries operates on a fiscal year ending December 31. Financial information for Riverview Industries can be obtained from James Frederick, 8200 West State Route 163, Oak Harbor, Ohio 43449.

POTENTIAL COMPONENT UNITS REPORTED AS AGENCY FUNDS

The County Treasurer, as the custodian of public funds, invests all public monies held on deposit in the County treasury. In the case of the separate organizations listed below, the County serves as fiscal agent but is not financially accountable for their operations. Accordingly, the activity of the following entities is presented as agency funds within the 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 as follows:

JOINT VENTURES

Joint Solid Waste District

The Joint Solid Waste District (the "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.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

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

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, 2005, the County's equity interest in the Joint Solid Waste District was \$271,458. Financial information can be obtained from William Farrell, Sandusky County Auditor, 100 North Park Avenue, Fremont, Ohio 43420.

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 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 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 operation of the ADAMHS Board. The Board has sole budgetary authority and controls surpluses and deficits, and the County is not legally obligated for the Board's debt. During 2005, the County made no contributions to ADAMHS. Financial information can be obtained from Thomas Paul, Erie County Auditor, 247 Columbus Avenue, Sandusky, Ohio 44870.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

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

Regional Airport Authority

The Regional Airport Authority (the "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 2005, the County provided \$31,351 for airport operations. Financial information for the Airport Authority can be obtained from Valerie Gregory, Secretary, 3255 East State Road, Port Clinton, Ohio 43452.

JOINTLY GOVERNED ORGANIZATION

Ottawa County Regional Planning Commission

The County participates in the Ottawa County Regional Planning Commission (the "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 makes studies, maps, plans, recommendations, and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the County. In 2005, the County contributed \$151,772 to the Regional Planning Commission.

INSURANCE POOL

County Risk Sharing Authority, Inc. (CORSA)

The County Risk Sharing Authority, Inc. is a jointly governed organization among forty-one counties in Ohio. CORSA was formed as an Ohio nonprofit 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. These coverages include comprehensive general liability, automobile liability, certain property insurance and public officials' errors and omissions liability insurance.

Each member county has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the Corporation 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. No county may have more than one representative on the Board at any time. Each member 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.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

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

CORSA has issued certificates of participation in order to provide adequate cash reserves. The certificates are secured by the member counties' obligations to make coverage payments to CORSA. The participating counties have no responsibility for the payment of the certificates. The total amount of certificates issued by CORSA for the forty-one participating counties is \$1,645,000.

Financial statements may be obtained by contacting the County Commissioners Association of Ohio in Columbus, Ohio.

B. Basis of Presentation and Measurement Focus

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

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the County that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the enterprise fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the County and for each function or program of the County's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the County. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the County.

Fund Financial Statements - Fund financial statements report detailed information about the County. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All enterprise funds are accounted for on 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 statement of net assets. The statement of revenues, expenses and changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the County finances and meets the cash flow needs of its enterprise activities.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the County's proprietary funds are charges for sales and services. Operating expenses for the enterprise funds include personnel and other expenses related to the operations of the enterprise activity. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

Agency funds do not report a measurement focus as they do not report operations.

C. Fund Accounting

The County uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The following are the Counties' major governmental funds.

General Fund - The general fund is used to account for all activities of the County not required to be included 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.

Road and Bridge Fund - This fund accounts for monies derived from gasoline taxes and the sale of motor vehicle licenses. Expenditures are restricted by State law to county road and bridge repair/improvement programs.

Job and Family Services Fund - This fund accounts for federal, state, and local monies used to provide general relief and to pay providers of medical assistance and social services.

Mental Retardation and Developmental Disabilities Fund - This fund accounts for the operation of a school for the mentally retarded and developmentally disabled, financed by a county-wide property tax levy and federal and state grants.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

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

Ottawa County Senior Programs Fund - This fund accounts for a tax levy used to help support senior centers throughout the County and the services they offer to shut-ins and elderly within the County.

Special Assessment Bond Fund - This fund accounts for special assessment revenue used for the repayment of OWDA loans and special assessment bonds.

Other governmental funds of the County are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities; (b) for the accumulation of resources for, and the repayment of, general long-term debt principal, interest and related costs and (c) for grants and other resources, the use of which is restricted to a particular purpose.

PROPRIETARY FUNDS

Proprietary funds are used to account for the County's ongoing activities which are similar to those found in the private sector. Proprietary funds are classified as either enterprise or internal service.

Enterprise Funds - The enterprise funds are used to account for operations financed and operated in a manner similar to private business enterprises. The intent of the County is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The County has presented the following major enterprise funds:

Riverview Nursing Home - This fund accounts for the daily operations of the County nursing home. Revenue is generated from resident fees and charges for services and from property taxes and is used to pay other agencies for services, to fund the daily costs of operations, and to provide services to the residents such as laundry, transportation, personal care items, and incidental medical supplies.

Danbury Sewer - This fund accounts for sanitary sewer services provided to individuals and commercial users in Danbury Township and the Village of Marblehead.

Regional Water - This fund accounts for water services provided to individuals and commercial users in Bay, Catawba, Danbury, Erie, Harris, Portage, and Salem Townships, the City of Port Clinton, and the Village of Oak Harbor.

Catawba Portage Sewer - This fund accounts for sanitary sewer services provided to individuals and commercial users in portions of Catawba and Portage Townships.

Internal Service Fund - Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the County on a cost-reimbursement basis. The County's internal service fund accounts for monies received for the activities of the self insurance program for employee health benefits.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

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

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the County under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the County's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The County's only fiduciary funds are agency funds which account for assets held by the County for political subdivisions for which the County acts as fiscal agent and for taxes, state-levied shared revenues, and fines and forfeitures collected and distributed to other political subdivisions.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the basic financial statements. Government-wide financial statements are prepared using the full accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds use the full accrual basis of accounting. Differences in the full accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

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

Nonexchange transactions, in which the County receives value without directly giving equal value in return, include sales taxes, property taxes, grants, entitlements and donations. On a full accrual basis, revenue from sales taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal 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 a modified accrual basis, revenue from all other nonexchange transactions must also be available before it can be recognized.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: sales tax (See Note 7), interest, federal and state grants and subsidies, state-levied locally shared taxes (including motor vehicle license fees and gasoline taxes), fees and rentals.

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Delinquent property taxes and property taxes for which there is an enforceable legal claim as of December 31, 2005, but which were levied to finance 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met also are recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred revenue.

Expense/Expenditures - On the full accrual basis of accounting, 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.

E. Budgetary Data

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the alternate tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The alternate tax budget indicates the projected revenues and expenditures for those funds receiving tax monies. The certificate of estimated resources establishes a limit on the amount the County Commissioners may appropriate. The appropriations resolution is the County Commissioners' authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the County Commissioners. The legal level of control has been established by the County Commissioners at the fund, department, and object levels for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the County Auditor. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the County Commissioners.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

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

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

F. Cash and Investments

To improve cash management, cash received by the County is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the County's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the basic financial statements.

The County has segregated bank accounts for monies held separately from the County's central bank account. These interest-bearing depository accounts are presented on the financial statements as "Cash in Segregated Accounts" or as "Cash with Fiscal Agents" since they are not required to be deposited into the County treasury.

The County has segregated bank accounts for monies held as retainage for various construction projects. These interest-bearing depository accounts are presented on the financial statements as "Cash with Escrow Agents".

During fiscal year 2005, investments were limited to mutual funds and State Treasury Asset Reserve of Ohio (STAR Ohio). Investments are reported at fair value which is based on quoted market prices.

The County has invested funds in STAR Ohio during fiscal year 2005. 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 Securities Exchange Commission (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, 2005.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal year 2005 amounted to \$1,129,984 which includes \$1,098,873 assigned from other County funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the County are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments, to the extent the investments were purchased from a specific fund rather than the pool.

An analysis of the County's investment account at year-end is provided in Note 4.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

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

G. Inventories of Materials and Supplies

On the government-wide and fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed/expended when used. Inventories are accounted for using the consumption method. Inventories at year-end consist of expendable supplies held for consumption.

H. Capital Assets

Governmental capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The County maintains a capitalization threshold of \$5,000. The County's infrastructure consists of roads, bridges, culverts and sanitary sewers. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated except for land and construction in process. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the County's historical records of necessary improvements and replacements. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Buildings	10 - 75 years	75 years
Building Improvements	10 - 75 years	n/a
Improvements other than Buildings	n/a	20 years
Roads	15 - 50 years	n/a
Bridges	35 - 55 years	n/a
Water and Sewer Lines	n/a	50 years
Equipment	5 - 10 years	5 - 20 years
Vehicles	5 - 15 years	5 - 10 years

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

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

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2005, 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.

J. Unamortized Loss on Advance Refunding

For advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a reduction of the face amount of the new debt.

K. Compensated Absences

Compensated absences of the County consist of vacation leave and sick leave to the extent that payment to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the County and the employee. The County records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is based on the sick leave accumulated at December 31, 2005, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. Sick leave benefits are accrued using the "Vesting" method. The County records a liability for accumulated unused sick leave for all employees after fifteen years of service with the County.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at December 31, 2005, and reduced to the maximum payment allowed by labor contract and/or statute, plus applicable additional salary related payments.

The entire compensated absences liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the accounts "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. For proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

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

L. Unamortized Bond Issuance Costs/Bond Discounts and Premiums

For governmental funds, issuance costs, bond discounts, and premiums are recognized in the current period on the fund financial statements. For the entity-wide and proprietary fund financial statements, issuance costs, bond discounts and premiums are deferred and amortized over the term of the bonds using the bonds-outstanding method, which 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 the bonds, as applicable.

M. Fund Balance Reserves

Reserved or designated fund balances indicate that a portion of fund equity is not available for current appropriation or use. The unreserved or undesignated portions of fund equity reflected in the governmental funds are available for use within the specific purposes of the funds.

The County reports amounts representing encumbrances outstanding, loans receivable, and unclaimed monies as reservations of fund balance in the governmental funds.

N. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported in the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases and long-term loans are recognized as a liability in the fund financial statements when due.

O. Interfund Transactions/Balances

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

During the normal course of operations, the County has numerous transactions between funds. Transfers represent movement of resources from a fund receiving revenue to a fund through which those resources will be expended and are recorded as other financing sources (uses) in governmental funds and as transfers in proprietary funds. Interfund transactions that would be treated as revenues and expenditures/expenses if they involved organizations external to the County are treated similarly when involving other funds of the County.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

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

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivable/interfund payable" for the current portion of interfund loans or advances to/from other funds for the non-current portion of interfund loans. All other outstanding balances outstanding between funds are reported as "due to/from other funds." These amounts are eliminated in the Statement of Net Assets, except for any residual balances outstanding between the governmental activities and business-type activities, which are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the governmental fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

P. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities of the proprietary funds. For the County, these revenues are charges for services for the County nursing home, for water and sewer services, and charges for health care premiums in the internal service fund. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All revenues and expenses not meeting these definitions are reported as nonoperating.

Q. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets (primarily from developers), or from grants or outside contributions of resources restricted to capital acquisition and construction.

R. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The County applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. As of December 31, 2005, net assets restricted by enabling legislation were \$3,023,922 in the statement of net assets.

S. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions of enabling legislation.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

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

Restricted assets in the enterprise funds 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 purposes.

T. Estimates

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

U. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the County administration and that are either unusual in nature or infrequent in occurrence. The County had no extraordinary or special items during 2005.

NOTE 3 - ACCOUNTABILITY AND CHANGE IN ACCOUNTING PRINCIPLES

A. Change in Accounting Principles

For fiscal year 2005, the County has implemented GASB Statement No. 40 "Deposit and Investment Risk Disclosures", and GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries".

GASB Statement No. 40 establishes and modifies disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modifies disclosure requirements for custodial credit risk on deposits.

GASB Statement No. 42 amends GASB Statement No. 34 and establishes accounting and financial reporting standards for impairment of capital assets and accounting requirements for insurance recoveries.

The implementation of GASB Statement No. 40 and GASB Statement No. 42 did not have an effect on the financial statements of the County, however additional note disclosure can be found in Note 4.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 3 - ACCOUNTABILITY AND CHANGE IN ACCOUNTING PRINCIPLES – (Continued)

B. Prior Period Adjustments and Fund Reclassification

The County has reported prior period adjustments to properly state an intergovernmental receivable in the Catawba Portage Sewer enterprise fund and to properly state capital assets in certain enterprise funds for errors and omissions in the amounts reported in the prior year. In addition, the County has reclassified the Children's First fund from special revenue to agency to properly report the funds intended purpose. The prior period adjustments and the fund reclassification had the following effect on fund balance and net assets as previously reported at December 31, 2004:

	Governmental Funds	Enterprise Funds			
	Other Governmental	Catawba Portage Sewer	Regional Water	Danbury Sewer	Other Enterprise
Fund balance/net assets at Decmeber 31, 2004	\$ 4,880,797	\$ 24,070,599	\$ 40,427,935	\$ 20,951,379	\$ 3,007,834
Fund reclassification	(29,820)				
Capital asset adjustments		436,895	(1,845,109)	2,039,486	1,134,110
Receivable adjustment	-	(100,000)	-	-	-
Restated fund balance/net assets at January 1, 2005	<u>\$ 4,850,977</u>	<u>\$ 24,407,494</u>	<u>\$ 38,582,826</u>	<u>\$ 22,990,865</u>	<u>\$ 4,141,944</u>

The prior period adjustments and fund reclassification also had the following effect on net assets as previously reported by the governmental and business-type activities:

	Governmental Activities	Business-Type Activities
Net assets at December 31, 2004	\$ 42,796,379	\$ 94,786,711
Fund reclassification	(29,820)	
Capital asset adjustments		1,765,382
Receivable adjustment	-	(100,000)
Restated net assets at January 1, 2005	<u>\$ 42,766,559</u>	<u>\$ 96,452,093</u>

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 3 - ACCOUNTABILITY AND CHANGE IN ACCOUNTING PRINCIPLES – (Continued)

C. Deficit Fund Balances/Net Assets

Fund balances/net assets at December 31, 2005, included the following individual fund deficits:

<u>Nonmajor Governmental Funds</u>	
Ditch Maintenance	\$ 9,685
Homeland Security	3,225
JAIBG	2,091
Marine Patrol Grant	86
Roose Ditch Construction	10,203
Lohrbach Ditch	13,938
August Kutzner Ditch	24,263
Millinger Ditch Project	8,761
Winters Ditch Project	74,362
Locust Point Dump Drainage	54,792
Court Special Projects	1,248
Ditch Cleaning	3,840
Common Pleas Computer	29,849
Hazard Mitigation Grant - 2005	27,048
CDBG	57,436
Energy Management Project	864,764
<u>Nonmajor Enterprise Funds</u>	
Portage Catawba Water	110,234
PIB Water/Wastewater Plan	53,307

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances in the Marine Patrol Grant resulted from adjustments for accrued liabilities.

The deficit net assets in the Portage Catawba Water Enterprise fund is a result of operating losses in prior years. The deficit net assets in the PIB Water/Wastewater Plan fund is a result of the project being in the early planning stages and project financing has not been established.

The deficit fund balance in Energy Management Project resulted from the recording of note proceeds as a fund liability rather than as an "other financing source". This deficit resulted from the application of GAAP.

The deficit fund balances in the other funds resulted from the recording of "advances in" as a fund liability rather than as an "other financing source". These deficits resulted from the application of GAAP.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS

Monies held by the County are classified by State statute into two categories. Active monies are public monies determined to be 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. Beginning June 15, 2004, inactive monies may be deposited or invested in the following securities provided a written investment policy has been filed with the Ohio Auditor of State:

1. United States Treasury Notes, bills, bonds, 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, or any book entry zero-coupon United States treasury security that is a direct obligation of the United States;
2. Bonds, notes, debentures, or any other obligations or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that 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 securities, or cash, equal value for equal value;
9. Up to twenty-five percent of the County's average portfolio in either of the following:

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS – (Continued)

- a. commercial paper notes in entities incorporated under the laws of Ohio or any other State that have assets exceeding five hundred million dollars rated at the time of purchase, which are rated in the highest qualification established by two nationally recognized standard rating services, which do not exceed 10 percent of the value of the outstanding commercial paper of the issuing corporation and which mature within two hundred seventy days after purchase;
 - b. bankers acceptances eligible for purchase by the federal reserve system and which mature within one hundred eighty days after purchase;
10. Up to 15 percent of the County's average portfolio in notes issued by United States corporations or by depository institutions that are doing business under authority granted by the United States provided that the notes are rated in the second highest or higher category by at least two nationally recognized standard rating services at the time of purchase and the notes mature within two years from the date of purchase;
 11. No-load money market mutual funds rated in the highest category at the time of purchase by at least one nationally recognized standard rating service consisting exclusively of obligations guaranteed by the United States, securities issued by a federal government agency or instrumentality, and/or highly rated commercial paper; and
 12. Up to 1 percent of the County's average portfolio in debt interests rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government.

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 County 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.

A. Cash with Escrow Agents

At year-end, the County \$106,990 deposited with escrow agents for retainage accounts maintained for various construction projects. The balances in these depository accounts are included in "Deposits with Financial Institutions" below.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS – (Continued)

B. Cash in Segregated Accounts

At year-end, the County \$820,601 deposited in accounts separate from the County’s internal investment pool. The balances in these depository accounts are included in “Deposits with Financial Institutions” below.

C. Cash on Hand

At year-end, the County had \$277,726 in undeposited cash on hand which is included on the financial statements of the County as part of “Equity in Pooled Cash and Cash Equivalents.”

D. Deposits with Financial Institutions

At December 31, 2005, the carrying amount of all County deposits was \$37,381,224. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of December 31, 2005, \$38,686,366 of the County’s bank balance of \$39,787,203 was exposed to custodial risk as discussed below, while \$1,100,837 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the County’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the County.

E. Investments

As of December 31, 2005, the County had the following investments and maturities:

<u>Investment type</u>	<u>Balance at Fair Value</u>	<u>Investment Maturities 6 months or less</u>
Mutual Funds	\$ 900,148	\$ 900,148
STAR Ohio	<u>122,979</u>	<u>122,979</u>
	<u>\$ 1,023,127</u>	<u>\$ 1,023,127</u>

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the County’s investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The County’s investments were rated AAA and Aaa by Standard & Poor’s and Moody’s Investor Services, respectively. Standard & Poor’s has assigned STAR Ohio an AAAM money market rating. STAR Ohio must maintain the highest letter or numerical rating provided by at least one nationally recognized standard service.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS – (Continued)

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the County at December 31, 2005:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Mutual Funds	\$ 900,148	87.98%
STAR Ohio	<u>122,979</u>	<u>12.02%</u>
	<u>\$ 1,023,127</u>	<u>100.00%</u>

F. Reconciliation of Cash and Investment to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of December 31, 2005:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 37,381,224
Investments	1,023,127
Cash on hand	<u>277,726</u>
Total	<u>\$ 38,682,077</u>
 <u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 16,811,516
Business type activities	16,101,054
Agency funds	<u>5,769,507</u>
Total	<u>\$ 38,682,077</u>

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund transfers for the year ended December 31, 2005, consisted of the following, as reported on the fund financial statements:

	<u>General</u>	<u>Job and Family Services</u>	<u>MRDD</u>	<u>Nonmajor Governmental</u>	<u>Regional Water</u>	<u>Non Major Enterprise</u>	<u>Transfer In</u>
General		\$ 110,000		\$ 209,612			\$ 319,612
Road and Bridge	\$ 68,481						68,481
Job and Family Services				601,918			601,918
Senior Programs	6,453						6,453
Special Assessment Bond	624						624
Non Major Governmental	592,833		\$ 100,000	222,000	\$ 8,928		923,761
Riverview Nursing Home	18,475						18,475
Danbury Sewer	132,735				78,656		211,391
Regional Water	78,393			157,240		\$ 118,300	353,933
Catawba/Portage Sewer	120,318						120,318
NonMajor Enterprise	6,359				38,216		44,575
Internal Service	78,163	-	-	-	-	-	78,163
Transfer Out	<u>\$ 1,102,834</u>	<u>\$ 110,000</u>	<u>\$ 100,000</u>	<u>\$ 1,190,770</u>	<u>\$ 125,800</u>	<u>\$ 118,300</u>	<u>\$ 2,747,704</u>

Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

- B. Interfund loans receivable/payable consisted of the following at December 31, 2005 as reported on the fund financial statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Assessment Bond	\$ 43,192
	Other Governmental	672,605
	Danbury Sewer	115,416
	Regional Water	54,185
	Other Enterprise	<u>344,535</u>
		<u>\$ 1,229,933</u>

These interfund loans will be repaid in the next fiscal year as resources become available. Interfund loan balances between governmental funds are eliminated for reporting on the government-wide statement of net assets. Interfund loan balances between governmental activities and business-type activities are reported as a component of the "internal balance" reported on the statement of net assets.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 5 - INTERFUND TRANSACTIONS – (Continued)

- C. Due to/from other funds consisted of the following at December 31, 2005, as reported on the fund financial statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	O.C. Senior Programs	\$ 104
	Riverview Nursing Home	2,923
	Nonmajor governmental	<u>3,891</u>
		<u>6,918</u>
Riverview Nursing Home	General	<u>15,207</u>
Road & Bridge	General	5,253
	Nonmajor governmental	<u>724</u>
		<u>5,977</u>
Job & Family Services	General	2,400
	Nonmajor governmental	<u>6,874</u>
		<u>9,274</u>
Nonmajor enterprise	Danbury Sewer	290
	Regional Water	35
	Catawba Portage Sewer	<u>190</u>
		<u>515</u>
Total		<u>\$ 37,891</u>

Amounts due from/to other funds represent amounts owed between funds for goods or services provided. The balances resulted from the time lag between the dates that payments between the funds are made. Due to/from other fund balances between governmental funds are eliminated for reporting on the government-wide statement of net assets. Due to/from other funds balances between governmental activities and business-type activities are reported as a component of the "internal balance" reported on the statement of net assets.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the County. Real property taxes and public utility taxes are levied after October 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by state law at 35% of appraised market value. Public utility property taxes are assessed on tangible personal property, as well as land and improvements, at 88% of true value for taxable transmission and distribution property and 25% of true value for all other taxable property. Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The full tax rate for all County operations applied to real property for fiscal year ended December 31, 2005, was \$7.10 per \$1,000 of assessed valuation.

The assessed values of real and tangible personal property upon which 2005 property tax receipts were based are as follows:

<u>Real Property</u>	
Residential/Agricultural	\$1,087,662,740
Commercial/Industrial/Mineral	234,699,100
Tangible Personal Property	59,528,130
<u>Public Utility</u>	
Real	376,480
Personal	<u>153,201,450</u>
Total Assessed Value	<u>\$1,535,467,900</u>

Real property taxes are payable annually or semi-annually. If paid annually, payment is due March 1. If paid semi-annually, the first payment is due March 1 and the remainder payable July 15. Under certain circumstances, State statute permits earlier or later payment dates to be established.

The County Treasurer collects property tax on behalf of all taxing districts within the County. The County Auditor periodically remits to the taxing districts their portions of the taxes collected. Collections of the taxes and remittance of them to the taxing districts are accounted for in various agency funds of the County.

Tangible personal property taxes for unincorporated and single county businesses are due semi-annually, with the first payment due May 10 and the remainder payable by September 20. Due dates are normally extended an additional 30 days. The due date for the entire tax for inter-county businesses is September 20 or the extended date. The first \$10,000 of taxable value is exempt from taxation for each business by state law.

The lien date is either December 31 or the end of their fiscal year (for incorporated businesses in operation more than one year). Since each business must file a return to the County Auditor, the tangible personal taxes are not known until all the returns are received.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 6 - PROPERTY TAXES – (Continued)

"Real estate and other taxes" receivable represents delinquent real and tangible personal property and public utility taxes outstanding as of December 31 (net of allowances for estimated uncollectibles) and real and public utility taxes which were measurable as of the year end.

Since the current levy is not intended to finance 2005 operations, the receivable is offset by a credit to "deferred revenue". The delinquent real, public utility and tangible personal property taxes that will become available to the County within the first thirty-one days of 2006 are shown as 2005 revenue; the remainder is shown as "deferred revenue". The eventual collection of significantly all real and public utility property taxes (both current and delinquent) is reasonably assured due to the County's ability to force foreclosure of the properties on which the taxes are levied.

NOTE 7 - 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 8 - RECEIVABLES

Receivables at December 31, 2005, consisted of taxes, accounts (billings for user charged services), interfund transactions related to charges for goods and services rendered, intergovernmental receivables arising from grants, entitlements and shared revenue, special assessments, accrued interest, and loans. All intergovernmental receivables have been classified as "Due From Other Governments" on the financial statements. Receivables have been recorded as described in Note 2.D. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 8 – RECEIVABLES – (Continued)

A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental Activities:

Sales taxes	\$	708,886
Property taxes		8,955,252
Other local taxes		32,548
Accounts		128,801
Due from other governments		3,547,840
Special assessments		19,317,951
Loans		1,098,265

Business-Type Activities:

Accounts	1,338,337
Special assessments	298,493
Property taxes	608,462
Due from other governments	1,205,474

Receivables have been disaggregated on the BFS. The only receivable not expected to be collected within the subsequent year are the special assessments, which are collected over the life of the assessment.

Loans receivable represent loans to the Airport, the Fair Board, the Visitors' Bureau, and to eligible individuals for residential rehabilitations under the Federal Community Development Block Grant program. A summary of the changes in notes receivable during 2005 follows:

	<u>Balance</u> <u>12/31/2004</u>	<u>New</u> <u>Loans</u>	<u>Repayments</u>	<u>Balance</u> <u>12/31/2005</u>
General Fund				
Airport	\$ 425,000		\$ (20,000)	\$ 405,000
Fair Board	51,600			51,600
Visitors' Bureau	75,000	-	(25,000)	50,000
Total General Fund	<u>551,600</u>	<u>-</u>	<u>(45,000)</u>	<u>506,600</u>
Special Revenue Funds				
CHIP/HOME	431,579	\$ 58,111		489,690
CDBG Revolving Funds	97,485	4,490	-	101,975
Total Special Revenue Funds	<u>529,064</u>	<u>62,601</u>	<u>-</u>	<u>591,665</u>
Total Loans Receivable	<u>\$ 1,080,664</u>	<u>\$ 62,601</u>	<u>\$ (45,000)</u>	<u>\$ 1,098,265</u>

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 8 – RECEIVABLES – (Continued)

A summary of the principal items of intergovernmental receivables follows:

Governmental Funds:

Major Funds:

General Fund	
Local Government	\$ 414,209
Local Government Revenue Assistance	90,950
Municipal Court	34,114
Other	2,251
Defense of Indigents	4,797
Drug Task Force	12,932
Homestead and Rollback	111,867
State of Ohio	<u>5,995</u>
Total General Fund	<u>\$ 677,115</u>

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 8 – RECEIVABLES – (Continued)

Governmental Funds (continued):

Major Funds (continued):

Road and Bridge	
Gasoline Tax	\$ 989,945
Motor Vehicle License Tax	<u>688,798</u>
Total Road and Bridge Fund	<u>1,678,743</u>

Job and Family Services

ODHS Public Assistance	359,257
Grants - County - ADM	<u>11,472</u>
Total Job and Family Services	<u>370,729</u>

Mental Retardation and Developmental Disabilities

Homestead and Rollback	166,926
State of Ohio	24,754
Other	<u>94,065</u>
Total MRDD	<u>285,745</u>

Ottawa County Senior Programs

Homestead and Rollback	17,763
State of Ohio	<u>1,320</u>
Total Ottawa County Senior Programs	<u>19,083</u>

Total Major Funds	<u>\$ 3,031,415</u>
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Nonmajor Funds:

Dog Fund - Court fees	<u>171</u>
Homeland Security - State Homeland Security	<u>175,762</u>
Civil Mediation - Court fees	<u>960</u>
Mediation Services - Court fees	<u>400</u>
Diversion Services - Court fees	<u>1,086</u>
Probation Services - Court fees	<u>200</u>

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 8 - RECEIVABLES - (Continued)

State Child Protection	\$ 59,396
Title VI-B	14,379
Family Preservation	4,481
Family Reunification	10,425
State of Ohio	<u>21,734</u>
Total Children's Services	<u>110,415</u>
OCTA - State of Ohio	<u>9,090</u>
CHIP/Home - Chip Grant	<u>67,126</u>
Reclaim Ohio Grant	<u>26,416</u>
Community Development Block Grant	<u>12,665</u>
Litter Prevention - Recycle Grant	<u>9,000</u>
Title Administration - fees	<u>9,245</u>
Victims of Crimes	
Victims of Crime Grants	24,718
State Victim Assistance	<u>13,132</u>
Total Victims of Crimes	<u>37,850</u>
Indigent Guardianship - Court fees	<u>770</u>
Recorders Equipment - Court fees	<u>4,200</u>
Municipal Court Computer - Court fees	<u>2,272</u>
Municipal Court DUI Indigent - Court fees	<u>954</u>
Probate/Juvenile Computer - Court fees	<u>2,209</u>
General Obligation Bond Retirement	
Homestead and Rollback	<u>9,071</u>
Hazard Mitigation - Grant	<u>29,115</u>
Court Special Projects - Fees	<u>6,220</u>
Common Pleas Computer Fund - Fees	<u>1,228</u>
Total Nonmajor Funds	<u>516,425</u>
Total Governmental funds	<u><u>\$ 3,547,840</u></u>

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 8 - RECEIVABLES - (Continued)

Enterprise Funds:

Major Funds:

Riverview Nursing Home	
Homestead and Rolback	\$ 21,711
Medicare & Medicaid	<u>710,052</u>
Total Riverview Nursing Home	<u>731,763</u>
Danbury Sewer - STAG - Grant	<u>473,711</u>
Total Enterprise Funds	<u>\$ 1,205,474</u>

Agency Funds:

Local Government	\$ 872,018
Local Government Revenue Assistance	191,474
Library Local Government	861,301
Gasoline Tax	435,472
Motor Vehicle License Tax	864,803
State of Ohio	18,744
Hotel Lodging Tax	20,024
Fees	<u>40,740</u>
Total Agency Funds	<u>\$ 3,304,576</u>

NOTE 9 - 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 time is paid upon separation from the County.

The County's current severance 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 30 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 balance based on years of service.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 10 - CAPITAL ASSETS

A. Governmental Activities

Capital asset activity for the fiscal year ended December 31, 2005, was as follows:

<u>Governmental Activities:</u>	<u>Balance</u> <u>12/31/2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/2005</u>
<i>Capital asset not being depreciated:</i>				
Land	\$ 1,176,777	\$ -	\$ -	\$ 1,176,777
Total capital assets not being depreciated:	<u>1,176,777</u>	<u>-</u>	<u>-</u>	<u>1,176,777</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	16,596,485			16,596,485
Improvements other than Buildings	2,211,470			2,211,470
Roads	18,835,461	957,867		19,793,328
Bridges	5,996,991	425,578	(124,938)	6,297,631
Equipment	3,392,176	216,453	(251,064)	3,357,565
Vehicles	3,485,320	335,066	(129,664)	3,690,722
Total capital assets, being depreciated:	<u>50,517,903</u>	<u>1,934,964</u>	<u>(505,666)</u>	<u>51,947,201</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(3,475,592)	(252,821)		(3,728,413)
Improvements other than Buildings	(146,457)	(111,624)		(258,081)
Roads	(8,193,713)	(462,496)		(8,656,209)
Bridges	(2,015,991)	(116,822)	55,354	(2,077,459)
Equipment	(2,015,489)	(264,152)	234,781	(2,044,860)
Vehicles	(2,017,092)	(344,750)	118,302	(2,243,540)
Total accumulated depreciation	<u>(17,864,334)</u>	<u>(1,552,665)</u>	<u>408,437</u>	<u>(19,008,562)</u>
Total capital assets, being depreciated net	<u>32,653,569</u>	<u>382,299</u>	<u>(97,229)</u>	<u>32,938,639</u>
Governmental activities capital assets, net	<u>\$ 33,830,346</u>	<u>\$ 382,299</u>	<u>\$ (97,229)</u>	<u>\$ 34,115,416</u>

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 10 - CAPITAL ASSETS – (Continued)

Depreciation expense was charged to functions/programs of the governmental activities as follows:

Governmental Activities	
General Government	
Legislative and executive	\$ 81,409
Judicial	73,954
Public safety	170,643
Public works	887,255
Health	9,765
Human services	290,795
Conservation and Recreation	36,678
Economic Development and Assistance	2,166
Total depreciation expense - governmental activities	<u>\$ 1,552,665</u>

B. Business-Type Activities

Capital asset of the business-type activities has been restated due to errors and omissions in the amounts reported in the prior year. The restatement had the following effect on capital asset balances as previously reported at December 31, 2004:

<u>Business-Type Activities:</u>	Balance 12/31/2004	Adjustment	Restated Balance 1/1/2005
<i>Capital asset not being depreciated:</i>			
Land	\$ 4,463,669	\$ -	\$ 4,463,669
Construction in progress	10,983,078	-	10,983,078
Total capital assets not being depreciated:	<u>15,446,747</u>	<u>-</u>	<u>15,446,747</u>
<i>Capital assets, being depreciated:</i>			
Buildings and improvements	14,491,882	20,057	14,511,939
Improvements other than Buildings	19,218,975	137,435	19,356,410
Water and Sewer Lines	99,698,882	(434,095)	99,264,787
Equipment	22,657,544	2,041,985	24,699,529
Vehicles	814,052	-	814,052
Total capital assets, being depreciated:	<u>156,881,335</u>	<u>1,765,382</u>	<u>158,646,717</u>
<i>Less: accumulated depreciation:</i>	<u>(35,487,079)</u>	<u>-</u>	<u>(35,487,079)</u>
Total capital assets, being depreciated net	<u>121,394,256</u>	<u>1,765,382</u>	<u>123,159,638</u>
Business-type activities capital assets, net	<u>\$ 136,841,003</u>	<u>\$ 1,765,382</u>	<u>\$ 138,606,385</u>

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 10 - CAPITAL ASSETS - (Continued)

Capital asset activity for the year ended December 31, 2005 follows:

<u>Business-Type Activities:</u>	Restated Balance <u>01/01/2005</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>12/31/2005</u>
<i>Capital asset not being depreciated:</i>				
Land	\$ 4,463,669	\$ -	\$ -	\$ 4,463,669
Construction in progress	<u>10,983,078</u>	<u>4,112,314</u>	<u>(12,325,238)</u>	<u>2,770,154</u>
Total capital assets not being depreciated:	<u>15,446,747</u>	<u>4,112,314</u>	<u>(12,325,238)</u>	<u>7,233,823</u>
<i>Capital assets, being depreciated:</i>				
Buildings	14,511,939	3,272,579		17,784,518
Improvements other than Buildings	19,356,410	2,893,970	(34,067)	22,216,313
Water and Sewer Lines	99,264,787	5,102,823		104,367,610
Equipment	24,699,529	2,170,675	(287,691)	26,582,513
Vehicles	<u>814,052</u>	<u>56,454</u>	<u>-</u>	<u>870,506</u>
Total capital assets, being depreciated:	<u>158,646,717</u>	<u>13,496,501</u>	<u>(321,758)</u>	<u>171,821,460</u>
<i>Less: accumulated depreciation:</i>				
Buildings	(2,803,899)	(262,709)		(3,066,608)
Improvements other than Buildings	(4,000,994)	(722,016)	34,067	(4,688,943)
Water and Sewer Lines	(18,993,558)	(2,010,163)		(21,003,721)
Equipment	(9,072,718)	(850,336)	288,710	(9,634,344)
Vehicles	<u>(615,910)</u>	<u>(72,394)</u>	<u>-</u>	<u>(688,304)</u>
Total accumulated depreciation	<u>(35,487,079)</u>	<u>(3,917,618)</u>	<u>322,777</u>	<u>(39,081,920)</u>
Total capital assets, being depreciated net	<u>123,159,638</u>	<u>9,578,883</u>	<u>1,019</u>	<u>132,739,540</u>
Business-type activities capital assets, net	<u>\$ 138,606,385</u>	<u>\$ 13,691,197</u>	<u>\$ (12,324,219)</u>	<u>\$ 139,973,363</u>

Depreciation expense was charged to other enterprise funds as follows:

Business-Type Activities	
Riverview Nursing Home	\$ 108,708
Danbury Sewer	929,300
Regional Water	1,613,513
Catawba Portage Sewer	1,112,064
Nonmajor:	
Portgage Catawba Water	4,726
Sanitary Engineer	<u>149,307</u>
Total	<u>\$ 3,917,618</u>

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 11 - LONG-TERM OBLIGATIONS

A. Long-term obligation activity for the fiscal year ended December 31, 2005, was as follows:

<u>Governmental Activities:</u>	<u>Interest Rate</u>	<u>Balance 12/31/04</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/05</u>	<u>Amount Due in One Year</u>
<u>General Obligation Bonds:</u>						
1984 Welfare (Original Amount \$350,000)	9.75%	\$ 50,000	\$ -	\$ (10,000)	\$ 40,000	\$ 10,000
1998 Various Improvement Bonds:						
Welfare Building Refunding (Original Amount \$220,000)	4.25-5.50	123,000		(17,000)	106,000	16,000
Agriculture Building (Original Amount \$1,250,000)	4.25-5.50	775,000		(70,000)	705,000	75,000
2003 Various Purpose Bonds:						
City/ County Complex Bond premium	3.63	1,260,000 49,749		(75,000) (2,961)	1,185,000 46,788	80,000
Accounting Loss (Original Amount \$1,385,000)		(111,040)		6,610	(104,430)	
Industrial Park Improvement Bond premium	3.64	630,000 25,220		(40,000) (1,601)	590,000 23,619	35,000
Accounting Loss (Original Amount \$510,000)		(58,520)		3,716	(54,804)	
Airport Improvement Bond premium	3.63	470,000 18,930		(25,000) (1,007)	445,000 17,923	30,000
Accounting Loss (Original Amount \$695,000)		(45,209)		2,405	(42,804)	
Community Resource Center Bond premium	4.18	2,845,000 34,244		(85,000) (1,023)	2,760,000 33,221	85,000
(Original Amount \$3,060,000)						
Port Authority Improvements Bond premium	3.19	515,000 53,112		(40,000) (4,125)	475,000 48,987	40,000
(Original Amount \$605,000)						
Airport Improvement Bond premium	3.96	425,000 11,116		(20,000) (523)	405,000 10,593	20,000
(Original Amount \$465,000)						
Total General Obligation Bonds		<u>7,070,602</u>	<u>-</u>	<u>(380,509)</u>	<u>6,690,093</u>	<u>391,000</u>
<u>OWDA Loans:</u>						
1998 OWDA Dani-Donn (Original Amount \$47,710)	5.54	39,211		(1,834)	37,377	1,935
1999 OWDA Perryview Estates Plat 5 and 6 (Original Amount \$127,826)	6.13	110,810		(4,451)	106,359	4,728
1999 OWDA/OEPA Regional Water (Original Amount \$17,942,681)	4.02	15,049,467		(716,198)	14,333,269	745,279
Total OWDA Loans		<u>15,199,488</u>	<u>-</u>	<u>(722,483)</u>	<u>14,477,005</u>	<u>751,942</u>

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 11 - LONG-TERM OBLIGATIONS – (Continued)

Governmental Activities (continued)	Interest Rate	Balance at 12/31/04	Additions	Reductions	Balance at 12/31/05	Amount Due in One Year
Special Assessment Bonds:						
1986 Sun Valley (Original Amount \$192,000)	7.0	\$ 20,000	\$ -	\$ (10,000)	\$ 10,000	\$ 10,000
1991 LaCarne Water (Original Amount \$45,000)	7.0	15,900		(2,200)	13,700	2,300
1995 Gypsum Sewer (Original Amount \$112,769)	4.5	62,000		(5,600)	56,400	5,700
1998 Lake in the Woods Refunding (Original Amount \$213,000)	4.25-5.5	77,000		(20,000)	57,000	20,000
1998 Catawba Sewer Refunding (Original Amount \$8,395,000)	4.25-5.5	4,790,000		(600,000)	4,190,000	625,000
1998 State Route 163 Refunding (Original Amount \$209,000)	4.25-5.5	123,000		(17,000)	106,000	16,000
1998 Route 269 Sewer Refunding (Original Amount \$68,000)	4.25-5.5	41,000		(4,000)	37,000	5,000
		<u>5,128,900</u>	<u>-</u>	<u>(658,800)</u>	<u>4,470,100</u>	<u>684,000</u>
Other Long-Term Obligations:						
Compensated Absences		1,330,712	834,736	(742,406)	1,423,042	777,384
Capital Leases		30,069	33,257	(12,470)	50,856	13,354
		<u>1,360,781</u>	<u>867,993</u>	<u>(754,876)</u>	<u>1,473,898</u>	<u>790,738</u>
Total Other Long-Term Obligations		<u>1,360,781</u>	<u>867,993</u>	<u>(754,876)</u>	<u>1,473,898</u>	<u>790,738</u>
Total Governmental Activities		<u>\$28,759,771</u>	<u>\$ 867,993</u>	<u>\$ (2,516,668)</u>	<u>\$ 27,111,096</u>	<u>\$ 2,617,680</u>
Business-Type Activities						
General Obligation Revenue Bonds:						
1988 County Home Refunding (Original Amount \$862,000)	4.25%	\$ 482,000	\$ -	\$ (54,000)	\$ 428,000	\$ 66,000
1993 Danbury Sanitary Sewer System Refunding Bonds						
Capital Appreciation Bonds	5.75-5.85	823,333		(224,275)	599,058	212,594
Accretion (Original Amount \$1,061,625)	4.25-5.5	771,217	63,959	(215,756)	619,420	
1998 Catawba Portage Sewer Sanitary Sewer Refunding (Original Amount \$3,445,000)	4.25%	2,675,000		(150,000)	2,525,000	165,000

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

<u>Business-Type Activities</u> (continued)	<u>Interest Rate</u>	<u>Balance at 12/31/04</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 12/31/05</u>	<u>Amount Due in One Year</u>
<u>General Obligation Revenue Bonds</u>						
1998 Portage Catawba Water Various Purpose (Original Amount \$379,000)	4.25	\$ 215,000	\$ -	\$ (28,000)	\$ 187,000	\$ 27,000
1999 Regional Water Rural Development (Original Amount \$2,000,000)	4.75	1,871,800		(29,400)	1,842,400	30,800
2003 Danbury Sewer Refunding Bonds	3.30	3,345,000		(35,000)	3,310,000	35,000
Bond Discount		(27,687)		290	(27,397)	
Accounting Loss (Original Amount \$3,355,000)		(93,348)		977	(92,371)	
2003 County Home Refunding Bond Premium	3.07	3,140,000		(285,000)	2,855,000	285,000
Accounting Loss		68,073		(6,179)	61,894	
(Original Amount \$3,650,000)		(339,446)		30,810	(308,636)	
2003 Catawba Portage Sewer Chemical Dosing Station	3.66	220,000		(10,000)	210,000	10,000
Bond Premium		9,338		(424)	8,914	
Accounting Loss (Original Amount \$245,000)		(19,952)		907	(19,045)	
1998 Danbury Sewer Various Purpose (Original Amount \$444,000)	4.25	264,000		(30,000)	234,000	30,000
1998 Catawba Portage Sewer Sanitary Sewer Refunding	5.00	5,055,000			5,055,000	
Accounting Loss (Original Amount \$5,055,000)		(495,782)		18,362	(477,420)	
Total General Obligation Revenue Bonds		17,963,546	63,959	(1,016,688)	17,010,817	861,394
<u>Special Assessment Bonds</u>						
2005 Sanitary Sewer Improvements	5.00	-	815,000	-	815,000	22,000
Total Special Assessment Bonds		-	815,000	-	815,000	22,000

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 11 - LONG-TERM OBLIGATIONS – (Continued)

<u>Business-Type Activities</u> (continued)	<u>Interest Rate</u>	<u>Balance at 12/31/04</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 12/31/05</u>	<u>Amount Due in One Year</u>
<u>Ohio Water and Sewer Loans</u>						
1991 Portage Catawba Water (Original Amount \$185,855)	0.00	\$ 103,475	\$ -	\$ (30,709)	\$ 72,766	\$ -
1992 Danbury Sewer (Original Amount \$216,741)	0.00	93,122		(5,260)	87,862	
1992 Catawba Portage Sewer (Original Amount \$28,662)	0.00	12,676		(2,304)	10,372	
1999 Regional Water (Original Amount \$1,108,668)	0.00	1,039,813		(39,606)	1,000,207	
2001 Camp Perry Western Road (Original Amount \$37,929)	0.00	28,824			28,824	
2004 Clay Center (Original Amount \$13,128)	0.00	13,128			13,128	
2005 State Road Sewer (Disbursed to date \$28,990)	0.00		28,990		28,990	
Total Ohio Water and Sewer Loans		<u>1,291,038</u>	<u>28,990</u>	<u>(77,879)</u>	<u>1,242,149</u>	<u>-</u>

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

<u>Business-Type Activities</u> (continued)	<u>Interest Rate</u>	<u>Balance at 12/31/04</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 12/31/05</u>	<u>Amount Due in One Year</u>
<u>OWDA Loans:</u>						
1997 Danbury Sewer (Original Amount \$1,246,205)	3.04	\$ 892,432	\$ -	\$ (56,918)	\$ 835,514	\$ 58,661
1997 Regional Water (Original Amount \$29,991,085)	2.00	25,118,429		(1,033,774)	24,084,655	1,054,450
2001 Camp Perry Western Road (Original Amount \$17,145)	5.74	15,905		(547)	15,358	579
2004 Danbury Township Wastewater Improvement (Original Amount \$4,632,743)	0.00	4,632,743	219,521	(179,201)	4,673,063	
2004 Golf Lane Waterline (Original Amount \$69,018)	4.56	69,018		(1,075)	67,943	2,224
2004 Water Plant Expansion (Original Amount \$3,065,360)	0.00	3,065,360	221,384	(59,515)	3,227,229	
Total OWDA Loans		<u>33,793,887</u>	<u>440,905</u>	<u>(1,331,030)</u>	<u>32,903,762</u>	<u>1,115,914</u>
<u>OPWC Loans:</u>						
1992 Danbury Sewer #CE340 (Original Amount \$486,780)	4.00	241,610		(26,184)	215,426	27,242
1994 Hydrogen Sulfide Control (Original Amount \$168,000)	4.00	100,421		(8,349)	92,072	8,686
1999 Danbury Sewer #CE004 (Original Amount \$169,741)	0.00	123,062		(8,487)	114,575	8,487
1999 Allen Sewer (Original Amount \$23,035)	0.00	16,699		(1,152)	15,547	1,152
2003 Regional Water - Gypsum (Original Amount \$83,933)	0.00	79,737		(4,197)	75,540	4,197
2003 Clay Center (Original Amount \$222,352)	0.00	222,352		(11,118)	211,234	11,118
2004 Regional Water Valve Bolt Corrosion (Original Amount \$174,000)	0.00	174,000		(4,350)	169,650	8,700
2004 State Road Sewer (Original Amount \$133,798)	0.00	70,055	63,743		133,798	6,690
2005 State Road Sewer (Disbursed to date \$37,448)	0.00		37,448		37,448	
Total OPWC Loans		<u>1,027,936</u>	<u>101,191</u>	<u>(63,837)</u>	<u>1,065,290</u>	<u>76,272</u>
<u>OEPA Loan:</u>						
1999 Regional Water (Original Amount \$3,274,564)	4.02	2,746,547		(130,707)	2,615,840	136,014
<u>Other Long-Term Obligations:</u>						
Compensated Absences		<u>362,597</u>	<u>373,339</u>	<u>(283,137)</u>	<u>452,799</u>	<u>323,958</u>
Total Business-Type Activities		<u>\$ 57,185,551</u>	<u>\$ 1,823,384</u>	<u>\$ (2,903,278)</u>	<u>\$ 56,105,657</u>	<u>\$ 2,535,552</u>

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

General Obligation Bonds

General obligation bonds are supported by the full faith and credit of Ottawa County. General obligation bonds will be paid from property tax revenues to the extent that other resources are not available to meet annual principal and interest payments.

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 a 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>
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 a 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>
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.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The bonds maturing on September 1, 2009, are subject to option 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

2003 Various Improvement Bonds

On June 3, 2003, the County issued \$10,615,000 in general obligation bonds with interest rates from 3.63 percent to 4.18 percent. These bonds were issued for improvements to the County/City Complex, Industrial Park Improvement, Airport Improvement, Community Resource Center construction and Port Authority Improvements.

The bonds maturing on December 1, 2015, are subject to mandatory sinking fund redemption on December 1, 2014, at a redemption price of 100 percent of the principal redeemed plus accrued interest to the redemption date as follows:

Year	Amount
2014	\$ 735,000

The remaining principal, in the amount of \$400,000, is payable at stated maturity.

The bonds maturing on December 1, 2021, are subject to mandatory sinking fund redemption on each December 1, commencing December 1, 2016, at a redemption price equal to 100 percent of the principal redeemed plus accrued interest to the redemption date as follows:

Year	Amount
2016	\$ 350,000
2017	370,000
2018	385,000
2019	165,000
2020	170,000

The remaining principal, in the amount of \$175,000, is payable at stated maturity.

The bonds maturing on December 1, 2027, are subject to mandatory sinking fund redemption on each December 1, commencing December 1, 2022, at a redemption price equal to 100 percent of the principal redeemed plus accrued interest to the redemption date as follows:

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

<u>Year</u>	<u>Amount</u>
2022	\$ 190,000
2023	160,000
2024	165,000
2025	175,000
2026	180,000

The remaining principal, in the amount of \$190,000, is payable at stated maturity.

Special Assessment Bonds

The special assessment bonds will be paid from the proceeds of the special assessments levied against those property owners who primarily benefited from the project. In the event that property owners fail to make their special assessment payments, the County is responsible for providing the resources to meet annual principal and interest payments. Special assessment debt is supported by the full faith and credit of Ottawa County.

Compensated Absences Payable

The compensated absences liability will be paid from the fund from which the employees' salaries are paid. These funds include the General Fund, the Road and Bridge, Job and Family Services, Mental Retardation and Developmental Disability, Dog, Real Estate Assessment, Emergency management, Child Support Enforcement Agency, Ottawa County Transportation Agency, and Litter Control special revenue funds, and the Riverview Nursing Home, Danbury Sewer, Regional Water, Catawba Portage Sewer, and Sewer District #13 enterprise funds.

Capital Lease Obligation

Capital lease obligations will be paid from the fund that maintains the related asset. See Note 13.

General Obligation Revenue Bonds

The general obligation revenue bonds are liabilities of the various 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.

1993 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 a redemption price equal to 100 percent of the principal redeemed plus accrued interest to the redemption date as follows:

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

<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.

The bonds maturing on October 1, 2003, 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 October 1, 2002, at the redemption prices set forth below plus accrued interest to the redemption date:

<u>Redemption Dates (Dates Inclusive)</u>	<u>Redemption Prices</u>
October 1, 2002 through December 30, 2003	102%
October 1, 2003 through December 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 statement of fund net assets. Restricted assets relating to the 1993 Danbury Sanitary Sewer System Refunding Bonds at December 31, 2005 were as follows:

Restricted Assets Held by the Trustee:	
Revenue Bond Current Debt Service	\$ 708,864
Revenue Bond Renewal and Replacement	840,439

Catawba Portage Sanitary Sewer Revenue Refunding Bonds

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

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

<u>Year</u>	<u>Amount</u>
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 on December 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 December 1, 2008, at the redemption prices set forth below plus accrued interest to the redemption date:

<u>Redemption Dates (Dates Inclusive)</u>	<u>Redemption Prices</u>
December 1, 2008 through August 31, 2009	102%
December 1, 2009 through August 31, 2010	101%
December 1, 2010 and thereafter	100%

Fund assets, whose use are restricted under the bond indenture, are presented as restricted assets on the statement of fund net assets. Restricted assets relating to the Catawba Portage Sanitary Sewer Revenue Refunding Bonds at December 31, 2005, were as follows:

Restricted Assets Held by the Trustee:	
Revenue Bond Current Debt Service	\$ 204,711
Revenue Bond Renewal and Replacement	555,468

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, 2005, \$10,130,200 of this debt was still outstanding.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

Ohio Water and Sewer Loans

The Ohio Water and Sewer Loans were provided to the County for the deferral of special assessment collections on agricultural 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. Several of these loans were used for purposes outside the loan and were required to submit monies to OWSRC.

OWDA Loans

OWDA loans consist of monies owed to the Ohio Water Development Authority for various water and sewer projects. OWDA loans are payable solely from special assessments and the gross revenues of the enterprise funds. The 2004 Danbury Township Wastewater Improvement loan and the 2004 Water Plant Expansion loan are not "closed". At year-end, final disbursements have not been made from OWDA for these loans; therefore, they are not presented in the schedule of future annual debt service requirements below.

OPWC Loans

OPWC loans consist of monies owed to the Ohio Public Works Commission for the improvement and replacement of sanitary sewers. OPWC loans are payable solely from the gross revenues of the enterprise funds. The 2005 State Road Sewer loan is not "closed". At year-end, final disbursements have not been made from OPWC for this loan; therefore, it is not presented in the schedule of future annual debt service requirements below.

OEPA Loan

The OEPA loan consists of monies owed to the Ohio Environmental Protection Agency (OEPA) for the Regional Water Project. The OEPA loan is payable from revenues from the Regional Water enterprise fund.

Legal Debt Margin

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, 2005, the County's legal debt margin was \$31,530,826.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of the County's future annual debt service requirements for governmental activities:

Year Ended	General Obligation Bonds		OWDA Loans		Special Assessment Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 391,000	\$ 268,249	\$ 751,942	\$ 577,301	\$ 684,000	\$ 215,930
2007	396,000	257,492	782,604	546,639	697,900	185,675
2008	410,000	245,877	814,520	514,723	726,000	154,902
2009	425,000	233,000	847,740	481,503	742,800	122,174
2010	425,000	219,447	882,319	446,924	772,900	87,958
2011 - 2015	2,049,000	858,012	4,981,811	1,664,404	846,500	48,303
2016 - 2020	1,380,000	439,495	5,416,069	561,519		
2021 - 2025	865,000	188,726				
2026 - 2028	370,000	23,800	-	-	-	-
Total	\$ 6,711,000	\$ 2,734,098	\$ 14,477,005	\$ 4,793,013	\$ 4,470,100	\$ 814,942

The following is a summary of the County's future annual debt service requirements for business-type activities:

Year Ended	General Obligation Revenue Bonds		OWDA Loans		OPWC Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 861,394	\$ 941,932	\$ 1,115,914	\$ 510,596	\$ 76,272	\$ 11,944
2007	860,777	934,697	1,138,937	487,575	77,720	10,493
2008	862,787	925,504	1,162,442	464,068	79,234	8,983
2009	1,165,400	634,260	1,186,442	440,069	80,803	7,411
2010	1,252,000	596,931	1,210,946	415,566	82,438	5,777
2011 - 2015	5,088,600	2,311,559	6,440,740	1,691,820	314,456	7,564
2016 - 2020	1,704,400	1,606,425	6,875,053	1,006,651	187,259	
2021 - 2025	2,049,700	1,150,623	5,872,996	297,591	129,660	
2026 - 2030	2,513,400	601,664				
2031 - 2034	887,000	74,527	-	-	-	-
Total	\$ 17,245,458	\$ 9,778,122	\$ 25,003,470	\$ 5,313,936	\$ 1,027,842	\$ 52,172

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

<u>Year Ended</u>	<u>OEPA Loans</u>		<u>Special Assessment Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 136,014	\$ 103,803	\$ 22,000	\$ 43,323
2007	141,537	98,281	27,000	37,746
2008	147,284	92,534	28,000	36,462
2009	153,264	86,553	30,000	35,128
2010	159,487	80,330	31,000	33,700
2011 - 2015	899,996	299,092	177,000	145,086
2016 - 2020	978,258	100,922	221,000	98,819
2021 - 2023	-	-	279,000	41,031
Total	<u>\$ 2,615,840</u>	<u>\$ 861,515</u>	<u>\$ 815,000</u>	<u>\$ 471,295</u>

Industrial Revenue Bonds

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

	<u>Amount of Issue</u>	<u>Amount Outstanding at 12/31/05</u>
Adrian Sand and Stone Inc.	\$ 5,000,000	\$ 1,260,000
Luther Home of Mercy	5,120,000	3,675,000
Otterbein Home	67,960,000	48,485,000
Ottawa Residential Services	4,043,000	3,750,815
Magruder Hospital	7,500,000	5,515,000

The County is not obligated in any way to pay debt and related charges on industrial revenue bonds from any of its funds, 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.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 12 - NOTES PAYABLE

The changes in the County's notes payable during 2005 were as follows:

Bond Anticipation Notes	Interest Rate	Balance at 12/31/2004	Additions	Reductions	Balance at 12/31/2005
<u>Governmental Activities</u>					
2004 Water System Improvement	1.56%	\$ 100,000	\$ -	\$ (100,000)	\$ -
2005 County Building Improvements	3.05%	-	1,500,000	-	\$ 1,500,000
Total Governmental Activities		<u>\$ 100,000</u>	<u>\$ 1,500,000</u>	<u>\$ (100,000)</u>	<u>\$ 1,500,000</u>
<u>Business-Type Activities</u>					
2004 Sewer System Improvement	1.56%	\$ 635,000		\$ (635,000)	
2004 Sewer System Improvement	1.50%	1,250,000		(1,250,000)	
2005 Sewer System Improvements	2.85%		\$ 500,000		\$ 500,000
2005 Sewer System Improvements	3.00%	-	1,250,000	(1,250,000)	-
Total Business-Type Activities		<u>\$ 1,885,000</u>	<u>\$ 1,750,000</u>	<u>\$ (3,135,000)</u>	<u>\$ 500,000</u>

The County's bond anticipation notes are supported by the full faith and credit of Ottawa County and have a maturity of six months or one year.

On February 10, 2004, the County issued a bond anticipation note, in the amount of \$735,000, to construct various water improvements and to pay a portion of the cost of construction sanitary sewer improvements for the Portage-Catawba Island Sanitary Sewer System. This note matured on February 8, 2005 and was repaid from the BANS debt service fund and the Catawba Portage Sewer enterprise fund, in the amount of \$100,000 and \$635,000, respectively.

On April 20, 2004, the County issued a bond anticipation note, in the amount of \$1,250,000, to pay a portion of the cost of construction sanitary sewer system improvements for the State Road project. This note matured on April 19, 2005 and was repaid from the Catawba Portage Sewer enterprise fund.

On February 8, 2005, the County issued a bond anticipation note in the amount of \$500,000 to finance sanitary sewer system improvements. This note matures on February 8, 2006 and will be repaid from the Catawba Portage Sewer enterprise fund.

On April 19, 2005, the County issued a bond anticipation note, in the amount of \$1,250,000, to finance the sanitary sewer improvements for the State Road project. This note matured and was repaid on October 19, 2005 from the Catawba Portage Sewer enterprise fund.

On June 29, 2005, the county issued a bond anticipation note, in the amount of \$1,500,000, to finance improvements to various County buildings. This note matures on June 28, 2006 and will be repaid from the BANS debt service fund.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 13 - CAPITAL LEASES

The County has 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. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balance for the governmental funds.

Principal payments in 2005 were \$12,470 for governmental funds.

	<u>Governmental Activities</u>
Equipment	\$ 77,956
Less: Accumulated Depreciation	<u>(23,392)</u>
Carrying Value, December 31, 2005	<u><u>54,564</u></u>

During fiscal 2005, the County entered into two new capital lease agreements for equipment. The present value of the future minimum lease payments for these leases was \$33,257.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2005.

<u>Year Ended</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 13,354	\$ 2,522
2007	14,050	1,826
2008	12,321	1,155
2009	6,136	644
2010	<u>4,995</u>	<u>185</u>
Total	<u><u>\$ 50,856</u></u>	<u><u>\$ 6,332</u></u>

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 14 - RISK MANAGEMENT

A. General Insurance

The County is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2005, the County contracted with County Risk Sharing Authority (CORSA) for liability, property and crime insurance. The CORSA program has a \$2,500 deductible. Coverages provided by CORSA are as follows:

<u>Type of Coverage</u>	<u>Amount</u>
General Liability	\$ 1,000,000
Excess Liability	5,000,000
Law Enforcement Professional Liability	1,000,000
Automobile Liability and Physical Damage	
Liability	1,000,000
Uninsured Motorist	250,000
Public Officials Errors and Omissions	1,000,000
Ohio Stop Gap (Additional Workers' Compensation Coverage)	1,000,000
Building and Contents	103,344,819
Other Property Insurance	
Extra Expense	1,000,000
Contractors Equipment	1,607,668
Valuable Papers and Records	1,000,000
Miscellaneous Floaters	1,089,432
Automobile Physical Damage	Actual Cash Value
Flow and Earthquake	100,000,000
Comprehensive Boiler and Machinery	100,000,000
Crime	1,000,000

With the exceptions of medical coverage and workers' compensation, all insurance is held with CORSA (see Note 2). There has been no significant reduction in coverage from prior year, and settled claims have not exceeded limits of coverage in the past three years. The County pays all elected officials' bonds in accordance with statute.

B. Workers Compensation

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.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 14 - RISK MANAGEMENT – (Continued)

C. Medical Insurance

The County manages health, vision, dental, and drug card insurance for its employees on a self insured basis. A third party administrator processes the claims, which the County pays. The Self Insurance internal service fund allocates the cost of providing claims servicing and claims payments by charging a monthly premium to each individual enrolled in the health insurance program. These premiums, along with the premium the County pays for each employee enrolled in the program, are paid into the Self Insurance internal service fund. Claims and services are paid from the Self Insurance internal service fund.

Under the health insurance program, the Self Insurance internal service fund provides coverage for a maximum annual benefit of \$1,000,000 per individual. The County purchased commercial insurance for claims in excess of coverage provided by the Self Insurance internal service fund. 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 internal service 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, 2005, was estimated by the third party administrator at \$380,230.

The changes in the claims liability for 2005 and 2004 were:

<u>Year</u> <u>Liability</u>	<u>Beginning</u> <u>Balance</u>	<u>Current Year</u> <u>Claims and Changes</u> <u>in Estimates</u>	<u>Claims</u> <u>Payments</u>	<u>Ending</u> <u>Balance</u>
2005	\$ 576,544	\$ 2,357,798	\$ 2,554,112	\$ 380,230
2004	707,516	2,433,464	2,564,436	576,544

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 15 - PENSION PLANS

Ohio Public Employees Retirement System

The County participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

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

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5% of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1% of their annual covered salary; members in public safety contributed 9%. The County's contribution rate for pension benefits for 2005 was 9.55%, except for those plan members in law enforcement or public safety. For those classifications, the County's pension contributions were 12.7% of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003, were \$1,944,446, \$1,929,355 and \$1,594,281, respectively; 92.48% has been contributed for 2005 and 100% has been contributed for 2004 and 2003. The unpaid contribution to fund pension obligations for 2005, in the amount of \$146,201, is recorded as a liability.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 16 - POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55% of covered payroll (16.70% for public safety and law enforcement); 4.00% of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPER's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.00%, an annual increase in active employee total payroll of 4.00% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.3% based on additional annual pay increases. Health care premiums were assumed to increase 4.00% annually.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 376,109. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$788,300. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004 (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 16 - POSTEMPLOYMENT BENEFITS – (Continued)

Additional information on the OPERS, including historical trend information showing the progress in accumulating sufficient assets to pay benefits when due, is available in the OPERS December 31, 2005, Comprehensive Annual Financial Report.

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance 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 and disbursements.

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund and major special revenue funds 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:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as payables (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund and major special revenue funds are as follows:

	Net Change in Fund Balances				
	Governmental Fund Types				
	<u>General</u>	<u>Road and Bridge</u>	<u>Job and Family Services</u>	<u>MRDD</u>	<u>County Seniors Program</u>
Budget basis	\$ 192,087	\$ 12,264	\$ (201,922)	\$ 1,113,050	\$ 277,036
Net adjustment for revenue accruals	(16,183)	9,250	20,225	109,702	(2,185)
Net adjustment for expenditure accruals	(37,942)	172,065	(28,085)	(436,865)	(3,329)
Net adjustment for other financing sources/(uses) accruals	(182,913)		1	443,299	3,480
Encumbrances (budget basis)	<u>363,971</u>	<u>216,639</u>	<u>203,242</u>	<u>77,694</u>	<u>14,930</u>
GAAP basis	<u>\$ 319,020</u>	<u>\$ 410,218</u>	<u>\$ (6,539)</u>	<u>\$ 1,306,880</u>	<u>\$ 289,932</u>

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 18 - CONTINGENCIES

Grants

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 disallowance, if any, will be immaterial.

B. Litigation

Several claims and lawsuits are pending against the County. In the opinion of the County Prosecutor, no liability is anticipated in excess of insurance coverage.

NOTE 19 - CONTRACTUAL COMMITMENTS

The County had the following contractual commitments outstanding as of December 31, 2005:

<u>Contractor</u>	<u>Commitment</u>	<u>Remaining Balance</u>
Poggemeyer Design Group	\$ 1,801,773	\$ 481,157
Richland Engineering	51,309	3,592
Metcalf & Eddy	280,686	128,942
Helm & Associates	938,000	4,800
Precision Directional Boring	166,520	166,520
Brunkhorst Engineering	193,300	36,205

NOTE 20 - RELATED PARTY TRANSACTIONS

During 2005, 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 \$197,184 for such contributions.

NOTE 21 - RIVERVIEW INDUSTRIES, INC.

A. Summary of Significant Accounting Policies

Reporting Entity

Riverview Industries (the "Industries") utilizes the governmental model for accounting and financial reporting as established by NCGA Statement 1, "Governmental Accounting and Financial Reporting Principles", as modified by subsequent NCGA and GASB pronouncements.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 21 - RIVERVIEW INDUSTRIES, INC. – (Continued)

Basis of Presentation

The Industries is accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities are included on the statement of net assets. The Industries uses the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

Materials and Supplies Inventory

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

B. Deposits and Investments

The carrying amount of Riverview Industries' deposits at year end was \$568,621 and the bank balance was \$594,824. Of the bank balance, \$400,000 was covered by federal depository insurance and \$194,824 was uninsured and uncollateralized. There are no significant statutory restrictions regarding the deposit and investment of funds by the not-for-profit corporation.

C. Capital Assets

Property and equipment are recorded at cost. It is the Industries' policy to capitalize items with a useful life in excess of three years and having a value of over \$500. Donated assets are capitalized at fair value on the date donated. Depreciation is calculated on a straight line basis over the useful life of the asset, which ranges from ten to forty years.

Capital asset activity for the year ended December 31, 2005, was as follows:

	Balance December 31, <u>2004</u>	<u>Additions</u>	<u>Reductions</u>	Balance December 31, <u>2005</u>
Buildings	\$ 14,660			\$ 14,660
Building Improvements	11,397			11,397
Furniture and Fixtures	71,321		\$ (2,337)	68,984
Equipment	37,092	\$ 24,743	(1,381)	60,454
Vehicles	<u>80,509</u>	<u>24,300</u>	<u>(25,230)</u>	<u>79,579</u>
Total Depreciable Capital Assets	214,979	49,043	(28,948)	235,074
Less Accumulated Depreciation	<u>(130,402)</u>	<u>(29,952)</u>	<u>26,476</u>	<u>(133,878)</u>
Total Depreciable Capital Assets, Net	<u>\$ 84,577</u>	<u>\$ 19,091</u>	<u>\$ (2,472)</u>	<u>\$ 101,196</u>

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 21 - RIVERVIEW INDUSTRIES, INC. – (Continued)

D. Risk Management

The Industries is exposed to various risks of loss related to torts; theft, or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2005, the Industries contracted with the Bowden Insurance Agency for commercial, directors and officers liability, individual fidelity bond, and surety bond insurance.

Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in insurance coverage from the prior year.

E. Accrued Vacation

Vacation is accumulated based on length of service. Employees are eligible for two weeks paid vacation after one year of employment, three weeks paid vacation after eight years of employment, and four weeks paid vacation after fourteen years of employment.

F. Debt

The Industries' long-term obligations activity for the year ended December 31, 2005, was as follows:

	Balance December 31, <u>2004</u>	<u>Additions</u>	<u>Reductions</u>	Balance December 31, <u>2005</u>	<u>Due Within One Year</u>
Line of Credit	\$ 28,000	\$ -	\$ -	\$ 28,000	\$ -
Compensated Absences	73,336	307		73,643	
Capital Lease	<u>6,890</u>	<u>-</u>	<u>(4,696)</u>	<u>2,194</u>	<u>2,194</u>
	<u>\$ 108,226</u>	<u>\$ 307</u>	<u>\$ (4,696)</u>	<u>\$ 103,837</u>	<u>\$ 2,194</u>

On June 1, 1999, Riverview Industries entered into an agreement with Ottawa County Board of Mental Retardation and Developmental Disabilities to assist in covering the cost of health care benefits for Riverview Industries employees. The agreement between the Industries and the MRDD stipulated that the MRDD would reserve a non-interest bearing line of credit, for the period June 1, 1999, to December 31, 2000, to be drawn upon as needed to cover additional fixed costs. The drawdowns from the account were limited to \$8,500 per month. The Industries is required to replenish the funds at such time when its profitability moves ahead of planned levels. As of December 31, 2005, \$28,000 of the line of credit had been drawn down and was outstanding.

G. Capital Leases

The Industries has entered into a capitalized lease for equipment. The 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.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 21 - RIVERVIEW INDUSTRIES, INC. – (Continued)

Principal payments in 2005 were \$4,696.

Equipment	\$ 21,000
Less Accumulated Depreciation	<u>(15,000)</u>
Carrying Value, December 31, 2005	<u>\$ 6,000</u>

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2005.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2006	<u>\$ 2,194</u>	<u>\$ 94</u>

H. Significant Concentration of Business with Customer

One company provides approximately 37.7 percent of the service revenue to Riverview Industries, Inc. If canceled, the volume of business would have a severe impact on the production operations of Riverview Industries. However, management would still carry on mental retardation programs regardless of services it could lose until new customers were secured. Management is unsure of the risk of this company canceling during the next year or thereafter.

NOTE 22 – SUBSEQUENT EVENTS

On February 8, 2006, the County issued bond anticipation notes, in the amount of \$450,000, for sanitary sewer improvements for the Portage/Catawba Island Project. The notes have an interest rate of 4 percent and mature on February 7, 2007.

On February 8, 2006, the County issued bond anticipation notes, in the amount of \$625,000, for sanitary sewer improvements for the Phase IV Allen/Clay Township Sewer Improvement Project. The notes have an interest rate of 4 percent and mature on February 7, 2007.

On June 29, 2006, the County issued various general improvement bonds, in the amount of \$3,935,000 for improvements to Mental Retardation and Developmental Disabilities facilities, Riverview Industries Building and Riverview Nursing Home. The bonds have interest rates of 4.00 percent to 4.40 percent over the life of the bonds and mature on December 1, 2026.

On August 29, 2006, the County issued bond anticipation notes, in the amount of \$450,000, for water system improvements for the Put-In-Bay Project. The notes have an interest rate of 4 percent and mature on August 28, 2007.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2005**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disburse- ments
UNITED STATES DEPARTMENT OF JUSTICE			
<i>Passed Through Ohio Attorney General's Office</i>			
Crime Victims Assistance	2005-VAGene248	16.575	\$ 26,020
	2006-VAGene248		8,233
<i>Total Crime Victims Assistance</i>			<u>34,253</u>
<i>Passed Through Ohio Department of Youth Services</i>			
Juvenile Accountability Incentive Block Grant	2004-JB-013-B031	16.523	12,559
<i>Passed Through Drug Task Force - Erie County</i>			
Edward Byrne Memorial Grant Program	02-DG-A01-7005	16.579	<u>37,294</u>
Total Department of Justice			<u>84,106</u>
UNITED STATES DEPARTMENT OF TRANSPORTATION			
<i>Passed Through Ohio Department of Transportation</i>			
Rural Transit Grant Program - Operating	OH-18-X021	20.509	119,481
Rural Transit Grant Program - Capital	OH-18-X021		62,790
Rural Transit Facility Design			72,720
Total Department of Transportation			<u>254,991</u>
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities</i>			
Social Services Block Grant	FY 05-06	93.667	30,046
State Children's Insurance Program (SCHIP)	6200015	93.767	3,903
Medical Assistance Program			
Community Alternative Funding System	6200015	93.778	1,088,292
Targeted Case Management	6200015	93.778	192,051
Waiver Administration	6200015	93.778	15,220
<i>Total Medical Assistance Program</i>			<u>1,295,563</u>
<i>Passed Through Ohio Department of Job and Family Services</i>			
Promoting Safe and Stable Families	n/a	93.556	26,906
Child Welfare Services- State Grants	n/a	93.645	47,262
<i>Passed Through Ohio Department of Transportation</i>			
Special Programs for the Aging - Title III, Part B	n/a	93.044	24,301
<i>Passed Through Area Office on Aging</i>			
Older Americans Act -Nutrition Program	n/a	93.045	<u>21,158</u>
Total Department of Health and Human Services			<u>1,449,139</u>

(Continued)

**FINANCIAL CONDITION
OTTAWA COUNTY**

**Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2005
(Continued)**

FEDERAL GRANTOR			
<i>Pass Through Grantor</i>		Pass Through Entity Number	Federal CFDA Number
<u>Program Title</u>			Disburse- ments
UNITED STATES DEPARTMENT OF LABOR			
<i>Passed Through Workforce Investment Act, Area 7</i>			
<u>Workforce Investment Act (WIA) Cluster:</u>			
Workforce Investment Act - Adult Program	n/a	17.258	239,896
Workforce Investment Act - Adult - Administrative			9,949
Total Workforce Investment Act - Adult			<u>249,845</u>
Workforce Investment Act - Youth Program	n/a	17.259	177,157
Workforce Investment Act - Youth - Administrative			3,460
Total Workforce Investment Act - Youth			<u>180,617</u>
Workforce Investment Act - Dislocated Worker	n/a	17.260	70,627
Workforce Investment Act - Dislocated - Administrative			8,688
Total Workforce Investment Act - Dislocated Worker			<u>79,315</u>
<i>Total WIA Cluster</i>			<u>509,777</u>
<i>Passed Through Workforce Investment Act, Area 7</i>			
Reed Act - Unemployment Insurance	n/a	17.225	93,370
Total Department of Labor			<u>603,147</u>
UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed Through Ohio Department of Development</i>			
Community Development Block Grant -			
Small Cities Program and Emergency Shelter Program	B-E-02-057-1	14.228	23,214
	B-W-02-057-1		548,257
	B-F-02-057-1		114,767
	B-C-02-057-1		8,040
	B-F-03-057-1		54,828
	B-C-04-057-1		117,344
	B-F-04-057-1		155,097
	B-E-04-057-1		227,960
	B-F-05-057-1		59
<i>Total CDBG - Small Cities Program</i>			<u>1,249,566</u>
Home Investment Partnerships Program	B-C-02-057-2	14.239	26,255
			92,275
<i>Total CDBG - HOME Program</i>			<u>118,530</u>
Total Department of Housing and Urban Development			<u>1,368,096</u>

(Continued)

**FINANCIAL CONDITION
OTTAWA COUNTY**

**Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2005
(Continued)**

FEDERAL GRANTOR <i>Pass Through Grantor</i>	Pass Through Entity Number	Federal CFDA Number	Disburse- ments
Program Title			
U.S. DEPARTMENT OF ECONOMIC DEVELOPMENT			
<i>Direct Assistance</i>			
Grants for Public Works and Economic Development Facilities	06-01-04596 06-01-04823	11.300	791,328 10,394
<i>Total Grants for Public Works and Economic Development Facilities</i>			801,722
FEDERAL EMERGENCY MANAGEMENT AGENCY			
<i>Passed Through Ohio Department Of Public Safety</i>			
Emergency Management Performance Grant	S04-FE04-62-0505	97.042	28,786
State Domestic Preparedness Equipment Grant	SO4-SHSP-87-0445 SO4-HPP2-62-0215 SO4-HXP2-62-0150 SO5-SHSP5-62-0262	97.004	55,952 1,086 14,387 59,091
<i>Total State Domestic Preparedness Equipment Grant</i>			130,516
Hazard Mitigation Grant Program - Elevation Project	FEMA-DR-1339-OH	97.039	68,116
Total Emergency Management Agency			227,418
U.S. DEPARTMENT OF DEFENSE			
<i>Passed Through the Ohio Adjutant General</i>			
Military Construction - National Guard Project	33-03-2-1001	12.400	187,682
U.S. DEPARTMENT OF COMMERCE			
<i>Direct Assistance</i>			
Surveys, Studies, Investigations & Special Purpose Grants	N/A XP-96591501-0	66.606	10,562 77,268
<i>Total Survey, Studies, Investigations & Special Purpose Grants</i>			87,830
TOTAL FEDERAL AWARDS EXPENDITURES			\$ 5,064,131

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED DECEMBER 31, 2005**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (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 has established a revolving loan program to provide low-interest loans to persons from low-moderate income households to assist first time home buyers and to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the County passed through the Ohio Department of Development. The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Federal Awards Expenditures (the Schedule). 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.

These loans are collateralized by liens to be filed against the property per the loan agreements. At December 31, 2006, the gross amount of loans outstanding under this program was \$591,665.

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.

NOTE D - MEDICAL ASSISTANCE PROGRAM

The County's Mental Retardation and Developmental Disabilities Board received a closeout settlement for fiscal year 2000 in the amounts of \$180,611 for Community Alternative Funding System (CAFS) and \$ 51,977 for Targeted Case Management (TCM). Fiscal year 2004 payments of \$47,828.43 for CAFS and \$1,878.26 for TCM were not received until fiscal year 2005. Fiscal year 2005 payments of \$14,069.80 for CAFS and \$14,200.18 for TCM were not received until fiscal year 2006.

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Auditor of State Betty Montgomery

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

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

To the Board of County Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of Ottawa County, Ohio (the County) as of and for the year ended December 31, 2005, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 14, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting to determine our auditing procedures to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the County's management dated December 14, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the County's management dated December 14, 2006, we reported other matters related to noncompliance we deemed immaterial.

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

We intend this report solely for the information and use of management, Board of County Commissioners, federal awarding agencies, and pass-through entities. It is not intended for 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

December 14, 2006



Auditor of State Betty Montgomery

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

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

To the Board of County Commissioners:

Compliance

We have audited the compliance of Ottawa County, Ohio (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 apply to each of its major federal programs for the year ended December 31, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the County's major federal programs. The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2005.

Internal Control Over Compliance

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

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www.auditor.state.oh.us

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the County's management in a separate letter dated December 14, 2006.

We intend this report solely for the information and use of management, the Board of County Commissioners, federal awarding agencies, and pass-through entities. It is not intended for 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

December 14, 2006

**FINANCIAL CONDITION
OTTAWA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2005**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



**Auditor of State
Betty Montgomery**

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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
JANUARY 2, 2007**