

**Mary Taylor, CPA**  
Auditor of State



**FINANCIAL CONDITION  
OTTAWA COUNTY**

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# Mary Taylor, CPA

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## Auditor of State

### 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, 2006, 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, 2006, 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 20, 2007, 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.

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 also not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Mary Taylor, CPA**  
Auditor of State

December 20, 2007

**FINANCIAL CONDITION  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(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, 2006. The intent of the Management's Discussion and Analysis is to look at the County's financial performance as a whole; readers should also review the Basic Financial Statements and the Notes to the Basic Financial Statements to enhance their understanding of the County's financial performance.

**Financial Highlights**

Key financial highlights for 2006 are as follows:

- The total net assets of the County increased \$15,629,967. Net assets of governmental activities increased \$10,370,615, which represents a 22.34% increase over fiscal year 2005. Net assets of business-type activities increased \$5,259,352 or 5.21% from fiscal year 2005.
- General revenues accounted for \$19,869,471 or 42.77% of total governmental activities revenue. Program specific revenues accounted for \$26,582,086 or 57.23% of total governmental activities revenue.
- The County had \$37,050,641 in expenses related to governmental activities; \$26,582,086 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$19,869,471 were adequate to provide for these programs.
- The General fund, the County's largest major governmental fund, had revenues and other financing sources of \$15,829,486 in 2006, an increase of \$1,748,109 or 12.41% from 2005 revenues. The General fund had expenditures and other financing uses of \$14,941,200 in 2006, an increase of \$1,178,843 or 8.57% from 2005. The net changes in revenues and expenditures contributed to the General fund balance increase of \$888,286 from 2005 to 2006.
- The Road and Bridge fund, a major governmental fund, had revenues and other financing sources of \$5,064,981 in 2006. The Road and Bridge fund had expenditures of \$4,475,766 in 2006. The Road and Bridge fund balance increased \$589,215 from 2005 to 2006.
- The Job and Family Services fund, a major governmental fund, had revenues and other financing sources of \$4,374,128 in 2006. The Job and Family Services fund had expenditures and other financing uses of \$3,852,423 in 2006. The Job and Family services fund balance increased \$521,705 from 2005 to 2006.
- The Ottawa County Board of Mental Retardation and Developmentally Disabled (MRDD) fund, a major governmental fund, had revenues of \$8,110,897 in 2006. The MRDD fund had expenditures and other financing uses of \$6,749,899 in 2006. The MRDD fund balance increased \$1,360,998 from 2005 to 2006.
- The Ottawa County Senior Programs fund, a major governmental fund, had revenues and other financing uses of \$699,559 in 2006. The County Senior Programs fund had expenditures of \$652,502 in 2006. The County Senior Programs fund balance increased \$47,057 from 2005 to 2006.
- The Special Assessment Bonds fund, a major governmental fund, had revenues and other financing sources of \$2,309,669 in 2006. The Special Assessment Bonds fund had expenditures and other financing uses of \$2,253,056 in 2006. The Special Assessment Bonds fund balance increased \$56,613 from 2005 to 2006.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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- Net assets for the business-type activities, which are made up of the Riverview Nursing Home fund, the Danbury Sewer Operations fund, the Regional Water Operations fund, the Catawba Portage Sewer fund, the Portage Catawba Water fund, the Sewer District #13 Reserve fund, the Erie Township Sewer Planning fund, the Plasterbed Road Water and Sewer Service fund, the Salem Reserve fund, the Put-In-Bay Water/Wastewater Plan fund, the Project C Water Tower South Bass Island Park fund, the Phase II Erie Township Sewer fund, and the South Bass Island - Future Water and Sewer Extensions fund, increased in 2006 by \$5,259,352. This increase in net assets was mainly due to an increase in operating grants and contributions and a slight increase in charges for services and sales.
- In the General fund, the actual revenues and other financing sources were \$2,644,013 higher than final budgeted amounts and actual expenditures and other financing sources were \$1,668,465 higher than final budgeted amounts. These variances were primarily due to advances in and out not being included in budgeted amounts and actual investment income revenues were \$718,297 higher than the budgeted amounts.

**Using these 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 2006?" 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:



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

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 fund, Job and Family Services fund, County Board of MRDD fund, County Senior Programs fund, and Special Assessment Bonds fund. The County's major enterprise funds are the Riverview Nursing Home fund, Danbury Sewer Operations fund, Regional Water Operations fund, and Catawba Portage Sewer fund.

***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  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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***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 the Riverview Nursing Home, Danbury Sewer Operations, Regional Water Operations, Catawba Portage Sewer, Portage Catawba Water, Sewer District #13, Erie Township Sewer Planning, Plasterbed Road Water and Sewer Service, Salem Reserve, Put-In-Bay Water/Wastewater Plan, Project C Water Tower South Bass Island Park, Phase II Erie Township Sewer, and South Bass Island - Future Water and Sewer Extensions. 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.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**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 2006 and 2005.

	<b>Net Assets</b>					
	Governmental Activities 2006	Business-type Activities 2006	Governmental Activities 2005	Business-type Activities 2005	2006 Total	2005 Total
	<u>Assets</u>					
Current and other assets	\$ 60,389,332	\$ 22,024,734	\$ 51,542,903	\$ 20,373,443	\$ 82,414,066	\$ 71,916,346
Capital assets	<u>34,505,193</u>	<u>143,196,774</u>	<u>34,115,416</u>	<u>139,973,363</u>	<u>177,701,967</u>	<u>174,088,779</u>
Total assets	<u>94,894,525</u>	<u>165,221,508</u>	<u>85,658,319</u>	<u>160,346,806</u>	<u>260,116,033</u>	<u>246,005,125</u>
<u>Liabilities</u>						
Long-term liabilities outstanding	28,428,855	54,764,269	27,111,096	56,105,657	83,193,124	83,216,753
Other liabilities	<u>9,669,616</u>	<u>4,183,165</u>	<u>12,121,784</u>	<u>3,226,427</u>	<u>13,852,781</u>	<u>15,348,211</u>
Total liabilities	<u>38,098,471</u>	<u>58,947,434</u>	<u>39,232,880</u>	<u>59,332,084</u>	<u>97,045,905</u>	<u>98,564,964</u>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	26,599,000	87,379,469	28,880,166	84,070,716	113,978,469	112,950,882
Restricted	21,479,263	4,239,981	13,802,768	3,220,081	25,719,244	17,022,849
Unrestricted	<u>8,717,791</u>	<u>14,654,624</u>	<u>3,742,505</u>	<u>13,723,925</u>	<u>23,372,415</u>	<u>17,466,430</u>
Total net assets	<u>\$ 56,796,054</u>	<u>\$ 106,274,074</u>	<u>\$ 46,425,439</u>	<u>\$ 101,014,722</u>	<u>\$ 163,070,128</u>	<u>\$ 147,440,161</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2006, the County's assets exceeded liabilities by \$163,070,128. This amounts to \$56,796,054 in governmental activities and \$106,274,074 in business-type activities. The County's finances remained strong during 2006, 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 68.32% 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, 2006, were \$113,978,469. 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, 2006, 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.

A portion of the County's net assets, \$25,719,244 or 15.77%, represents resources that are subject to

**FINANCIAL CONDITION  
OTTAWA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
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external restrictions on how they may be used. Of this amount, \$21,479,263 is restricted in the governmental activities and \$4,239,981 is restricted in the business type activities. The remaining unrestricted balances of \$8,717,791 and \$14,654,624 for the governmental and business type activities, respectively, 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 2006 and 2005.

	Change in Net Assets					
	Governmental Activities 2006	Business-type Activities 2006	Governmental Activities 2005	Business-type Activities 2005	2006 Total	2005 Total
<b>Revenues</b>						
Program revenues:						
Charges for services and sales	\$ 10,194,933	\$ 19,511,735	\$ 6,775,910	\$ 19,459,658	\$ 29,706,668	\$ 26,235,568
Operating grants and contributions	14,788,647	3,174,135	14,316,584	152,692	17,962,782	14,469,276
Capital grants and contributions	1,598,506	3,198,333	81,810	4,202,799	4,796,839	4,284,609
Total program revenues	<u>26,582,086</u>	<u>25,884,203</u>	<u>21,174,304</u>	<u>23,815,149</u>	<u>52,466,289</u>	<u>44,989,453</u>
General revenues:						
Property and other local taxes	8,395,748	613,048	7,690,547	523,225	9,008,796	8,213,772
Sales tax	5,453,341		4,834,958		5,453,341	4,834,958
Unrestricted grants	1,524,549		1,718,137		1,524,549	1,718,137
Investment earnings	2,151,197	21,824	1,129,984	12,840	2,173,021	1,142,824
Other	2,344,636	641,650	2,306,507	167,088	2,986,286	2,473,595
Total general revenues	<u>19,869,471</u>	<u>1,276,522</u>	<u>17,680,133</u>	<u>703,153</u>	<u>21,145,993</u>	<u>18,383,286</u>
Total revenues	<u>\$ 46,451,557</u>	<u>\$ 27,160,725</u>	<u>\$ 38,854,437</u>	<u>\$ 24,518,302</u>	<u>\$ 73,612,282</u>	<u>\$ 63,372,739</u>

**FINANCIAL CONDITION  
OTTAWA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
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	Change in Net Assets				2006 Total	2005 Total
	Governmental Activities 2006	Business-type Activities 2006	Governmental Activities 2005	Business-type Activities 2005		
<b>Expenses</b>						
Program Expenses:						
General government						
Legislative and executive	\$ 4,667,284		\$ 3,927,013	\$ 4,667,284	\$ 3,927,013	
Judicial	2,770,473		2,755,522	2,770,473	2,755,522	
Public safety	6,120,600		5,406,336	6,120,600	5,406,336	
Public works	6,538,394		7,254,316	6,538,394	7,254,316	
Health	184,152		290,211	184,152	290,211	
Human services	15,246,285		13,512,455	15,246,285	13,512,455	
Conservation and recreation	48,309		102,228	48,309	102,228	
Economic development and assistance	4,700		4,869	4,700	4,869	
Other	381,953		303,415	381,953	303,415	
Interest and fiscal charges	1,088,491		1,134,600	1,088,491	1,134,600	
Riverview nursing home		\$ 10,402,303		\$ 10,530,190	10,402,303	
Danbury sewer		2,641,284		2,609,851	2,641,284	
Regional water		4,214,862		4,389,327	4,389,327	
Catawba portage sewer		3,009,579		2,636,347	2,636,347	
Other enterprise	-	663,646	-	294,550	294,550	
	<u>37,050,641</u>	<u>20,931,674</u>	<u>34,690,965</u>	<u>20,460,265</u>	<u>57,982,315</u>	
Total expenses						
	<u>37,050,641</u>	<u>20,931,674</u>	<u>34,690,965</u>	<u>20,460,265</u>	<u>57,982,315</u>	
Transfers	969,699	(969,699)	(504,592)	504,592	-	
Change in net assets	10,370,615	5,259,352	3,658,880	4,562,629	15,629,967	
<b>Net assets at beginning of year</b>	<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>	
<b>Net assets at end of year</b>	<u>\$ 56,796,054</u>	<u>\$ 106,274,074</u>	<u>\$ 46,425,439</u>	<u>\$ 101,014,722</u>	<u>\$ 163,070,128</u>	

**Governmental Activities**

Governmental net assets increased by \$10,370,615 in 2006 over 2005. This increase is primarily due to increased charges for services and sales, capital grants and contributions, property taxes, and investment earnings offsetting increased expenses in general government, public safety, and human services in 2006 compared to 2005 and a decrease in current liabilities primarily associated with repayment of a note during fiscal year 2006.

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OTTAWA COUNTY**

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

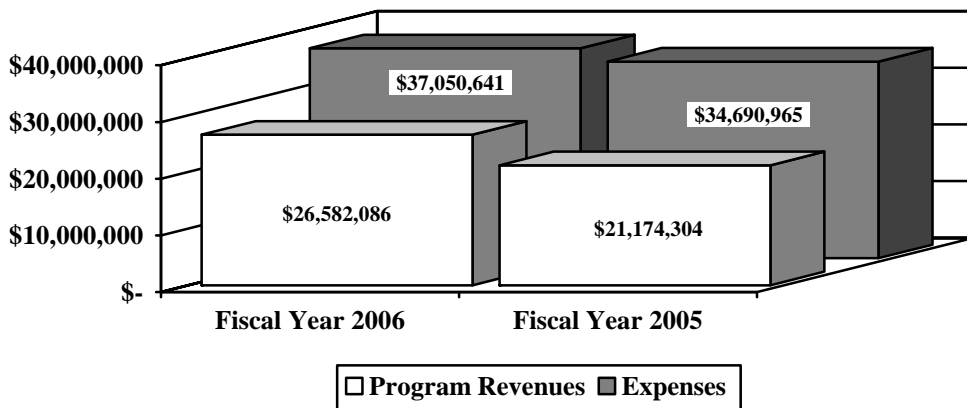
Human services, which supports the operations of the County Home, County Board of MRDD, Job and Family Services (Public Assistance), Veteran Services, and the Children Services Board, accounts for \$15,246,285 of expenses, or 41.15% of total governmental expenses of the County. These expenses were funded by \$2,289,701 in charges to users of services in 2006. General government expenses which includes legislative and executive and judicial programs, accounted for \$7,437,757 or 20.07% of total governmental expenses. General government expenses were covered by \$2,337,855 of direct charges to users in 2006.

The state and federal government contributed to the County revenues of \$14,788,647 in operating grants and contributions and \$1,598,506 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$8,694,322 or 58.79% subsidized human services programs.

General revenues totaled \$19,869,471, and amounted to 42.77% of total revenues. These revenues primarily consist of property, sales, and other local tax revenue of \$13,849,089 or 69.70% of total general revenues in 2006. 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 \$1,524,549, or 7.67% 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 2006 and 2005. 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**



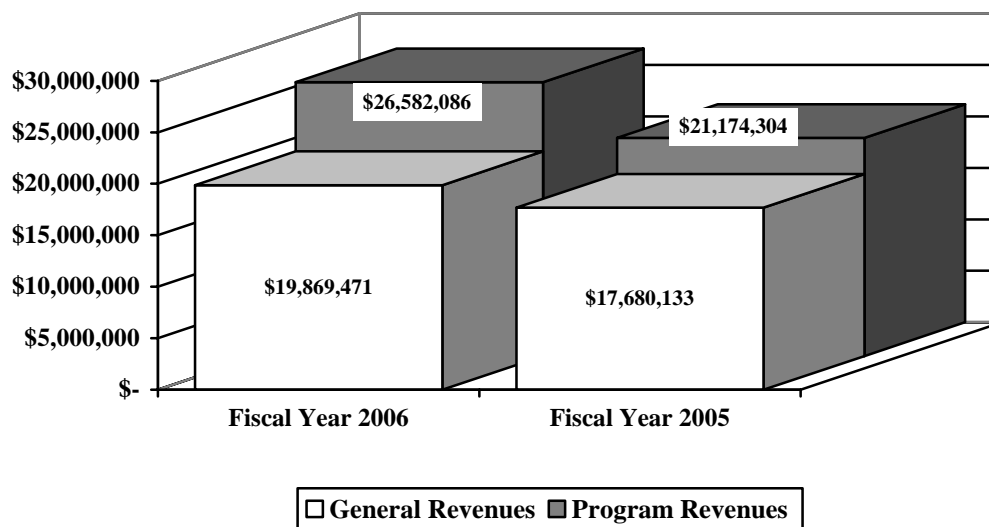
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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
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	<b>Governmental Activities</b>			
	Total Cost of Services 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
	<u>2006</u>	<u>2006</u>	<u>2005</u>	<u>2005</u>
Program Expenses:				
General government				
Legislative and executive	\$ 4,667,284	\$ 2,827,199	\$ 3,927,013	\$ 1,398,205
Judicial	2,770,473	1,682,186	2,755,522	1,953,514
Public safety	6,120,600	3,884,137	5,406,336	4,477,093
Public works	6,538,394	441,184	7,254,316	575,174
Health	184,152	25,855	290,211	164,858
Human services	15,246,285	3,566,213	13,512,455	4,392,201
Conservation and recreation	48,309	47,559	102,228	10,367
Economic development and assistance	4,700	2,005	4,869	2,166
Other	381,953	281,920	303,415	303,415
Interest and fiscal charges	1,088,491	(2,289,703)	1,134,600	239,668
<b>Total</b>	<b>\$ 37,050,641</b>	<b>\$ 10,468,555</b>	<b>\$ 34,690,965</b>	<b>\$ 13,516,661</b>

The dependence upon general revenues for governmental activities is apparent, with 28.25% of expenses supported through taxes and other general revenues during 2006. The graph below illustrates the County's reliance upon general revenues.

**Governmental Activities – General and Program Revenues**



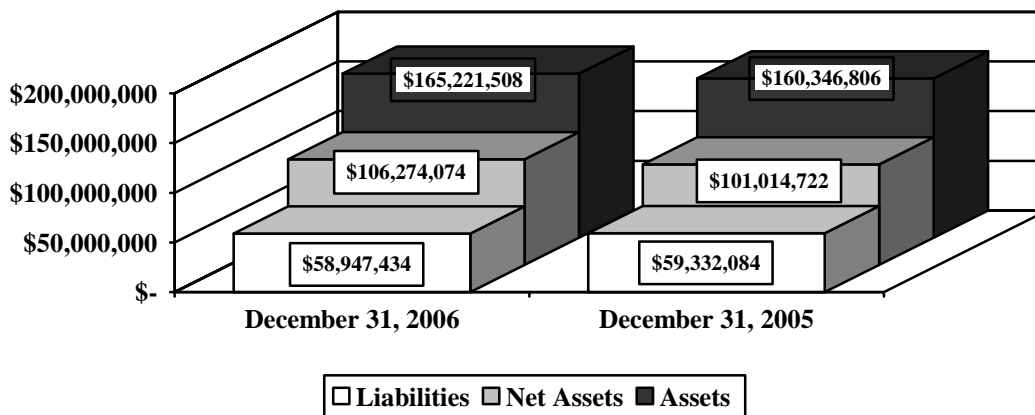
**FINANCIAL CONDITION  
OTTAWA COUNTY**

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

**Business-Type Activities**

The Riverview Nursing Home, Danbury Sewer Operations, Regional Water Operations, Catawba Portage Sewer, Portage Catawba Water, Sewer District #13 Reserve, Erie Township Sewer Planning, Plasterbed Road Water and Sewer Service, Salem Reserve, Put-In-Bay Water/Wastewater Plan, Project C Water Tower South Bass Island Park, Phase II Erie Township Sewer, and South Bass Island - Future Water and Sewer Extensions are the County's enterprise funds. These operations had program revenues of \$25,884,203, general revenues of \$1,276,522, and expenses of \$20,931,674 for fiscal year 2006. The net assets of the enterprise funds increased \$5,259,352 or 5.21% during 2006. The primary source of this increase is associated with increased operating and capital grants and other general revenues outpacing slight increases in expenditures. The following graph illustrates the assets, liabilities and net assets of the County's business-type activities at December 31, 2006 and 2005:

**Net Assets in Business – Type Activities**



**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 \$21,377,258, which is \$7,414,605 over last year's total of \$13,962,653. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2006 for all major and non-major governmental funds.



**FINANCIAL CONDITION  
OTTAWA COUNTY**

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

	Fund Balance <u>December 31, 2006</u>	Fund Balance <u>December 31, 2005</u>	<u>Increase</u>
Major Funds:			
General	\$ 4,294,955	\$ 3,406,669	\$ 888,286
Road and Bridge	3,316,262	2,727,047	589,215
Job and Family Services	650,612	128,907	521,705
Board of MR/DD	5,092,269	3,731,271	1,360,998
Ottawa County Senior Programs	346,503	299,446	47,057
Special Assessment Bond	175,175	118,562	56,613
Other Nonmajor Governmental Funds	<u>7,501,482</u>	<u>3,550,751</u>	<u>3,950,731</u>
Total	<u>\$ 21,377,258</u>	<u>\$ 13,962,653</u>	<u>\$ 7,414,605</u>

**General Fund**

The County's general fund balance increased \$888,286, primarily due to revenues increasing faster than expenditures. The table that follows assists in illustrating the revenues of the general fund.

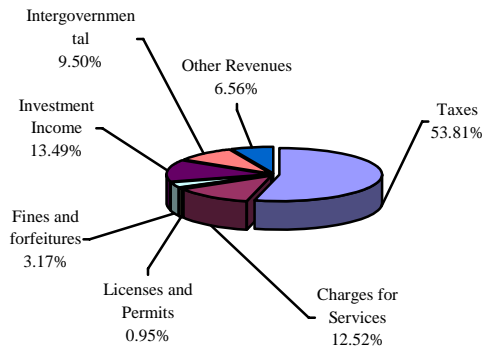
	<u>2006 Amount</u>	<u>2005 Amount</u>	<u>Percentage Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 8,361,809	\$ 7,302,528	14.51 %
Charges for services	1,945,648	1,785,226	8.99 %
Licenses and permits	148,040	219,363	(32.51) %
Fines and forfeitures	493,276	502,218	(1.78) %
Intergovernmental	1,477,203	1,689,982	(12.59) %
Investment income	2,097,376	1,129,984	85.61 %
Other	<u>1,019,303</u>	<u>1,091,016</u>	(6.57) %
Total	<u>\$ 15,542,655</u>	<u>\$ 13,720,317</u>	13.28 %

Tax revenue represents 53.81% of all general fund revenue. Tax revenue increased by 14.51% over prior year, primarily due to increased sales tax revenues of \$763,773. The increase in investment income is due to increasing interest rates throughout the year. The decrease in licenses and permits revenue is due to the County's decreased collections for licenses and permits. All other revenue remained comparable to 2005.

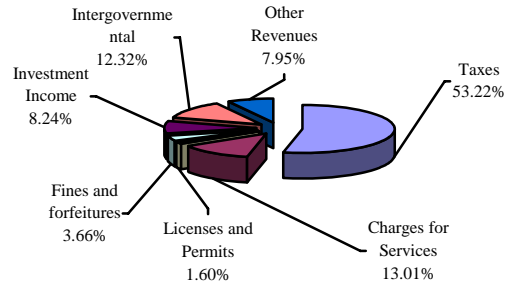
**FINANCIAL CONDITION  
OTTAWA COUNTY**

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

**Revenues – Fiscal Year 2006**



**Revenues – Fiscal Year 2005**



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

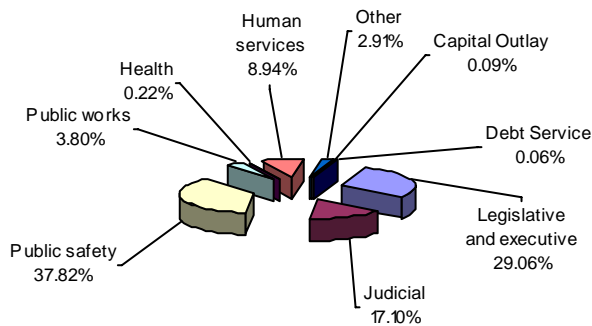
	<u>2006 Amount</u>	<u>2005 Amount</u>	<u>Percentage Change</u>
<b><u>Expenditures</u></b>			
General government			
Legislative and executive	\$ 3,929,819	\$ 3,645,239	7.81 %
Judicial	2,312,808	2,532,926	(8.69) %
Public safety	5,114,448	4,659,720	9.76 %
Public works	514,176	454,336	13.17 %
Health	29,819	12,277	142.89 %
Human services	1,209,627	965,729	25.26 %
Other	393,429	362,713	8.47 %
Capital outlay	12,240	25,547	(52.09) %
Debt service	8,295	1,036	700.68 %
<b>Total</b>	<b><u>\$ 13,524,661</u></b>	<b><u>\$ 12,659,523</u></b>	<b>6.83 %</b>

The most significant increases were in the areas of general government, public safety and human services. Other expenditures remained comparable to 2005.

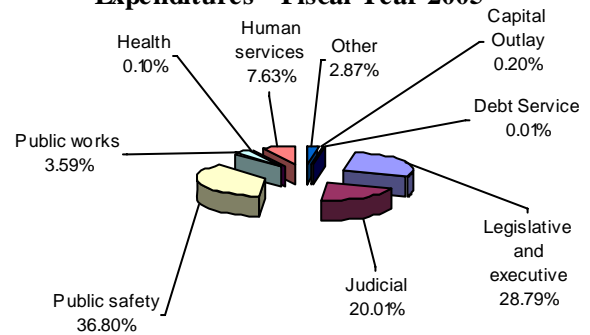
**FINANCIAL CONDITION  
OTTAWA COUNTY**

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

**Expenditures - Fiscal Year 2006**



**Expenditures - Fiscal Year 2005**



**Road and Bridge Fund**

The Road and Bridge fund, a major governmental fund, had revenues and other financing sources of \$5,064,981 in 2006. The Road and Bridge fund had expenditures of \$4,475,766 in 2006. The Road and Bridge fund balance increased \$589,215 from 2005 to 2006 primarily due to a decrease in expenditures.

**Job and Family Services Fund**

The Job and Family Services fund, a major governmental fund, had revenues and other financing sources of \$4,374,128 in 2006. The Job and Family Services fund had expenditures and other financing uses of \$3,852,423 in 2006. The Job and Family Services fund balance increased \$521,705 from 2005 to 2006 due to increased intergovernmental revenues.

**County Board of Mental Retardation and Developmentally Disabled (MRDD) Fund**

The County Board of Mental Retardation and Developmentally Disabled (MRDD) fund, a major governmental fund, had revenues of \$8,110,897 in 2006. The MRDD fund had expenditures and other financing uses of \$6,749,899 in 2006. The MRDD fund balance increased \$1,360,998 from 2005 to 2006 primarily due to increased property tax and charges for service revenues.

**Ottawa County Senior Programs Fund**

The County Senior Programs fund, a major governmental fund, had revenues and other financing sources of \$699,559 in 2006. The County Senior Programs fund had expenditures of \$652,502 in 2006. The County Senior Programs fund balance increased \$47,057 from 2005 to 2006 due to increases in property and other revenues being higher than the increase expenditures.

**FINANCIAL CONDITION  
OTTAWA COUNTY**

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

***Special Assessment Bonds Fund***

The Special Assessment Bonds fund, a major governmental fund, had revenues and other financing sources of \$2,309,669 in 2006. The Special Assessment Bonds fund had expenditures and other financing uses of \$2,253,056 in 2006. The Special Assessment Bonds fund balance increased \$56,613 from 2005 to 2006. This increase is not deemed significant.

***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.

The County's most significant budgeted fund is the General Fund. In the General fund, there were no significant changes between the original and final budgeted revenues. Final budgeted expenditures were \$1,542,225 higher than original budgeted expenditures primarily due to increases in human services and transfer out accounts. Actual revenues and financing sources of \$16,846,934 exceeded final budgeted revenues by \$2,644,013 primarily due to advances in of \$1,535,557 not being included in the budgeted amounts, and actual sales taxes and investment income were higher than anticipated receipts budgeted. Actual expenditures and other financing sources of \$17,247,960 were \$1,668,465 higher than final budgeted expenditures primarily due to advances out not being included in budgeted expenditures.

***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 2006, the County had \$177,701,967 (net of accumulated depreciation) invested in land, buildings and improvements, furniture and equipment, vehicles, construction in progress, sewer mains and infrastructure. Of this total, \$34,505,193 was reported in governmental activities and \$143,196,774 was reported in business-type activities. The following table shows fiscal 2006 balances compared to 2005:

**FINANCIAL CONDITION  
OTTAWA COUNTY**

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

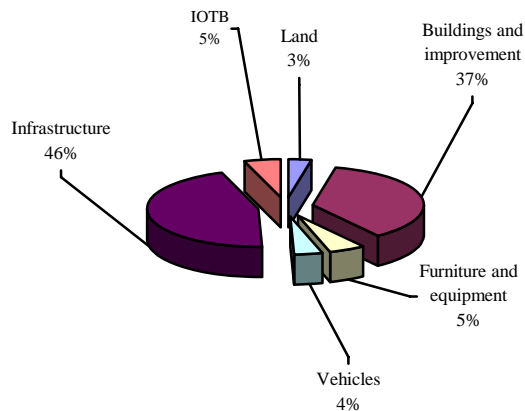
**Capital Assets at December 31  
(Net of Depreciation)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2006	2005	2006	2005	2006	2005
Land	\$ 1,176,777	\$ 1,176,777	\$ 4,489,565	\$ 4,463,669	\$ 5,666,342	\$ 5,640,446
Building and improvements	12,615,251	12,868,072	14,568,663	14,717,910	27,183,914	27,585,982
Improvements other than buildings	1,841,765	1,953,389	17,383,231	17,527,370	19,224,996	19,480,759
Furniture and equipment	1,875,951	1,312,705	16,123,912	16,948,169	17,999,863	18,260,874
Vehicles	1,400,608	1,447,182	223,087	182,202	1,623,695	1,629,384
Infrastructure	15,594,841	15,357,291			15,594,841	15,357,291
Sewer/water lines			84,076,974	83,363,889	84,076,974	83,363,889
Construction in progress	-	-	6,331,342	2,770,154	6,331,342	2,770,154
<b>Total</b>	<b>\$ 34,505,193</b>	<b>\$ 34,115,416</b>	<b>\$ 143,196,774</b>	<b>\$ 139,973,363</b>	<b>\$ 177,701,967</b>	<b>\$ 174,088,779</b>

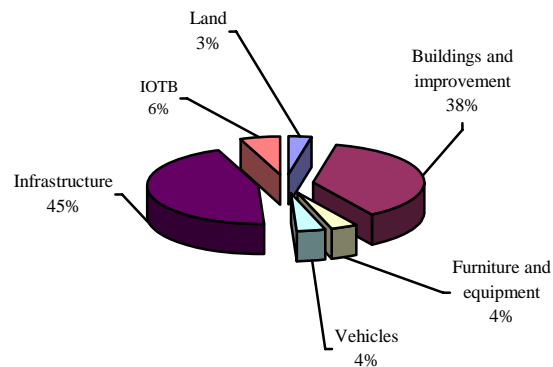
See Note 10 to the basic financial statements for detail on governmental activities and business-type activities capital assets.

The following graphs show the breakdown of governmental capital assets by category for 2006 and 2005.

**Capital Assets - Governmental Activities 2006**



**Capital Assets - Governmental Activities 2005**

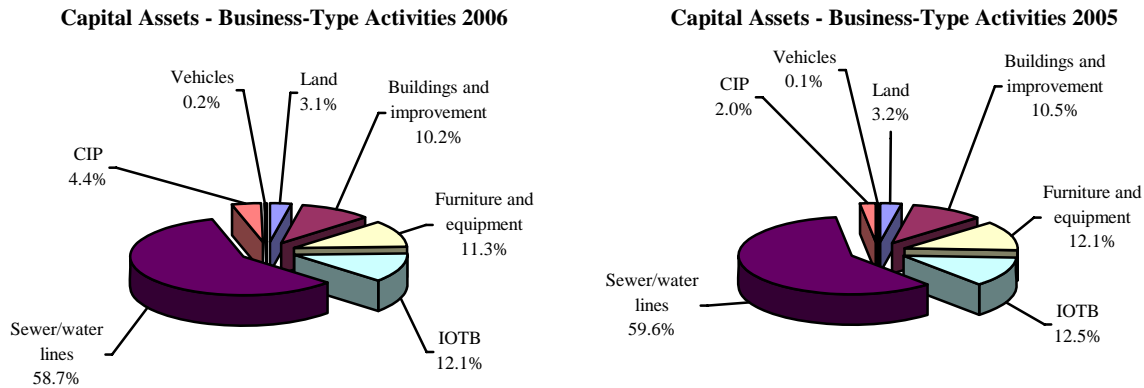


The County's largest capital asset category is infrastructure, which includes roads, bridges and culverts. These items are immovable and of value only to the County, however, the annual cost of purchasing these items is quite significant. The net book value of the County's infrastructure (cost less accumulated depreciation) represents approximately 46% of the County's total governmental capital assets.

**FINANCIAL CONDITION  
OTTAWA COUNTY**

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

The following graphs show the breakdown of business-type capital assets by category for 2006 and 2005.



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 58.7% of the County's total business-type capital assets.

**Debt Administration**

At December 31, 2006 the County had \$26,261,228 in general obligation bonds, \$45,402,422 in OWDA loans, \$4,579,100 in special assessment bonds, \$1,207,119 in Ohio water and sewer loans, \$2,479,826 in OEPA loans and OPWC loans of \$1,146,090 outstanding. Of this total, \$4,519,360 is due within one year and \$76,556,425 is due within greater than one year. The following table summarizes the bonds and loans outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities 2006	Business-Type Activities 2006	Governmental Activities 2005	Business-Type Activities 2005
Long-Term Obligations				
General obligation bonds:	\$ 9,272,316	\$ 16,988,912	\$ 6,690,093	\$ 17,010,817
OWDA loans	13,725,064	31,677,358	14,477,005	32,903,762
Special assessment bonds	3,786,100	793,000	4,470,100	815,000
Ohio water and sewer loans		1,207,119		1,242,149
OEPA loan		2,479,826		2,615,840
OPWC loans	-	1,146,090	-	1,065,290
Total	<u>\$ 26,783,480</u>	<u>\$ 54,292,305</u>	<u>\$ 25,637,198</u>	<u>\$ 55,652,858</u>

**FINANCIAL CONDITION  
OTTAWA COUNTY**

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

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 40,985.

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 Jo Ellen Regal, Ottawa County Auditor, 315 Madison St., Room 202, Port Clinton, Ohio 43452.

**FINANCIAL CONDITION  
OTTAWA COUNTY**

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2006**

	<b>Primary Government</b>			<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ 21,061,747	\$ 17,834,302	\$ 38,896,049	
Cash in segregated accounts . . . . .	82,015		82,015	\$632,521
Cash with fiscal agents. . . . .		917,213	917,213	
Cash with escrow agents. . . . .		216,371	216,371	
Receivables (net of allowances for uncollectibles):				
Sales taxes . . . . .	677,234		677,234	
Property taxes . . . . .	8,976,376	576,062	9,552,438	
Other local taxes . . . . .	31,601		31,601	
Accounts . . . . .	174,131	1,479,293	1,653,424	161,296
Due from other governments. . . . .	5,886,159	854,492	6,740,651	
Special assessments . . . . .	20,401,146	272,706	20,673,852	
Accrued interest . . . . .	235,435		235,435	
Internal balances . . . . .	1,049,678	(1,049,678)		
Prepayments . . . . .	61,059	42,504	103,563	14,022
Materials and supplies inventory . . . . .	372,608	529,236	901,844	4,142
Loans receivable . . . . .	947,237		947,237	
Investment in joint ventures . . . . .	285,417		285,417	
Unamortized bond issue costs . . . . .	147,489	352,233	499,722	
Capital assets:				
Land and construction in progress . . . . .	1,176,777	10,820,907	11,997,684	
Depreciable capital assets, net. . . . .	33,328,416	132,375,867	165,704,283	111,873
Total capital assets. . . . .	34,505,193	143,196,774	177,701,967	111,873
Total assets. . . . .	<u>94,894,525</u>	<u>165,221,508</u>	<u>260,116,033</u>	<u>923,854</u>
<b>Liabilities:</b>				
Accounts payable. . . . .	419,083	284,009	703,092	17,388
Contracts payable. . . . .	20,223	364,677	384,900	
Retainage payable . . . . .		216,371	216,371	
Accrued wages and benefits . . . . .	251,878	138,506	390,384	105,538
Due to other governments . . . . .	306,536	475,350	781,886	977
Deferred revenue. . . . .	7,947,713	598,144	8,545,857	12,114
Accrued interest payable. . . . .	320,724	581,108	901,832	
Claims payable . . . . .	403,459		403,459	
Notes payable . . . . .		1,525,000	1,525,000	
Long-term liabilities:				
Due within one year. . . . .	2,909,336	2,891,210	5,800,546	
Due in more than one year . . . . .	25,519,519	51,873,059	77,392,578	103,580
Total liabilities . . . . .	<u>38,098,471</u>	<u>58,947,434</u>	<u>97,045,905</u>	<u>239,597</u>
<b>Net assets:</b>				
Invested in capital assets, net of related debt . . . . .	26,599,000	87,379,469	113,978,469	83,873
Restricted for:				
Capital projects . . . . .	4,017,647		4,017,647	
Debt service. . . . .	1,373,409		1,373,409	
Revenue bond repairs and replacements . . . . .		1,203,841	1,203,841	
Revenue bond current debt service . . . . .		1,526,552	1,526,552	
Revenue bond future debt service. . . . .		1,509,588	1,509,588	
Unclaimed monies . . . . .	64,078		64,078	
Human service programs . . . . .	6,372,962		6,372,962	
Public works projects. . . . .	5,667,132		5,667,132	
Public safety programs . . . . .	929,321		929,321	
Other purposes . . . . .	3,054,714		3,054,714	
Unrestricted. . . . .	8,717,791	14,654,624	23,372,415	600,384
Total net assets . . . . .	<u>\$ 56,796,054</u>	<u>\$ 106,274,074</u>	<u>\$ 163,070,128</u>	<u>\$ 684,257</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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**FINANCIAL CONDITION  
OTTAWA COUNTY**

**STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006**

	<b>Program Revenues</b>			
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Governmental Activities:</b>				
General government:				
Legislative and executive . . . . .	\$ 4,667,284	\$ 1,560,225	\$ 66,724	\$ 213,136
Judicial . . . . .	2,770,473	777,630	183,903	126,754
Public safety . . . . .	6,120,600	1,075,734	886,461	274,268
Public works . . . . .	6,538,394	886,347	4,948,975	261,888
Health . . . . .	184,152	148,578	2,316	7,403
Human services . . . . .	15,246,285	2,289,701	8,694,322	696,049
Conservation and recreation . . . . .	48,309	21	174	555
Economic development and assistance . . . . .	4,700	2,541	37	117
Other . . . . .	381,953	75,962	5,735	18,336
Interest and fiscal charges . . . . .	1,088,491	3,378,194		
<b>Total governmental activities . . . . .</b>	<b>37,050,641</b>	<b>10,194,933</b>	<b>14,788,647</b>	<b>1,598,506</b>
<b>Business-Type Activities:</b>				
Riverview Nursing Home . . . . .	10,402,303	9,728,889	87,194	
Danbury Sewer . . . . .	2,641,284	2,400,653	603,965	845,545
Regional Water . . . . .	4,214,862	4,899,888	141,874	69,638
Catawaba Portage Sewer. . . . .	3,009,579	2,464,297	263,164	924,589
Other enterprise . . . . .	663,646	18,008	2,077,938	1,358,561
<b>Total business-type activities . . . . .</b>	<b>20,931,674</b>	<b>19,511,735</b>	<b>3,174,135</b>	<b>3,198,333</b>
<b>Total primary government. . . . .</b>	<b>\$ 57,982,315</b>	<b>\$ 29,706,668</b>	<b>\$ 17,962,782</b>	<b>\$ 4,796,839</b>
<b>Component Unit:</b>				
Riverview Industries, Inc. . . . .	\$ 2,570,851	\$ 2,606,464		
<b>General Revenues:</b>				
Property taxes levied for:				
General fund. . . . .				
Human services - County Board of MRDD. . . . .				
Human services - Ottawa County Senior Programs. . . . .				
Nursing home. . . . .				
Debt service. . . . .				
Sales taxes. . . . .				
Other local taxes . . . . .				
Grants and entitlements not restricted to specific programs. . . . .				
Gain on sale of capital assets . . . . .				
Investment earnings. . . . .				
Miscellaneous. . . . .				
<b>Total general revenues . . . . .</b>				
Transfers . . . . .				
Change in net assets . . . . .				
<b>Net assets at beginning of year . . . . .</b>				
<b>Net assets at end of year. . . . .</b>				

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<b>Net (Expense) Revenue and Changes in Net Assets</b>			
<b>Primary Government</b>			
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Unit</b>
\$ (2,827,199)		\$ (2,827,199)	
(1,682,186)		(1,682,186)	
(3,884,137)		(3,884,137)	
(441,184)		(441,184)	
(25,855)		(25,855)	
(3,566,213)		(3,566,213)	
(47,559)		(47,559)	
(2,005)		(2,005)	
(281,920)		(281,920)	
2,289,703		2,289,703	
(10,468,555)		(10,468,555)	
	(\$586,220)	(586,220)	
	1,208,879	1,208,879	
	896,538	896,538	
	642,471	642,471	
	2,790,861	2,790,861	
	4,952,529	4,952,529	
(10,468,555)	4,952,529	(5,516,026)	
			\$35,613
2,848,135		2,848,135	
4,448,453		4,448,453	
419,547		419,547	
	613,048	613,048	
228,630		228,630	
5,453,341		5,453,341	
450,983		450,983	
1,524,549		1,524,549	
			1,050
2,151,197	21,824	2,173,021	15,187
2,344,636	641,650	2,986,286	
19,869,471	1,276,522	21,145,993	16,237
969,699	(969,699)		
10,370,615	5,259,352	15,629,967	51,850
46,425,439	101,014,722	147,440,161	632,407
\$ 56,796,054	\$ 106,274,074	\$ 163,070,128	\$ 684,257

**FINANCIAL CONDITION  
OTTAWA COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2006**

	<b>General</b>	<b>Road and Bridge</b>	<b>Job and Family Services</b>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ 1,447,717	\$ 2,816,239	\$ 433,949
Cash in segregated accounts. . . . .	57,741		
Receivables (net of allowance for uncollectibles):			
Sales taxes . . . . .	677,234		
Property taxes . . . . .	3,484,097		
Other local taxes . . . . .		31,601	
Accounts . . . . .	47,697	12,293	1,470
Accrued interest . . . . .	235,435		
Special assessments. . . . .			
Interfund loans . . . . .	1,515,744		
Due from other funds . . . . .	45,066	8,745	
Due from other governments . . . . .	675,872	1,842,096	550,220
Prepayments. . . . .	48,987	4,431	1,121
Materials and supplies inventory . . . . .	120,111	242,455	4,070
Loans receivable . . . . .	461,600		
Restricted Assets:			
Equity in pooled cash and cash equivalents . . . . .	64,078		
<b>Total assets . . . . .</b>	<b>\$ 8,881,379</b>	<b>\$ 4,957,860</b>	<b>\$ 990,830</b>
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 113,654	\$ 15,485	\$ 98,069
Contracts payable . . . . .			
Accrued wages and benefits. . . . .	138,063	21,973	24,310
Compensated absences payable. . . . .	13,840	20,148	
Interfund loans payable . . . . .			
Due to other funds . . . . .	23,956		17,825
Due to other governments . . . . .	193,898	26,831	20,605
Deferred revenue . . . . .	4,103,013	1,557,161	179,409
<b>Total liabilities . . . . .</b>	<b>4,586,424</b>	<b>1,641,598</b>	<b>340,218</b>
<b>Fund Balances:</b>			
Reserved for encumbrances. . . . .	310,290	373,810	70,889
Reserved for unclaimed monies. . . . .	64,078		
Reserved for loans . . . . .	461,600		
Unreserved, undesignated (deficit), reported in:			
General fund. . . . .	3,458,987		
Special revenue funds . . . . .		2,942,452	579,723
Debt service funds. . . . .			
Capital projects funds . . . . .			
<b>Total fund balances . . . . .</b>	<b>4,294,955</b>	<b>3,316,262</b>	<b>650,612</b>
<b>Total liabilities and fund balances. . . . .</b>	<b>\$ 8,881,379</b>	<b>\$ 4,957,860</b>	<b>\$ 990,830</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<b>Mental Retardation and Developmental Disabilities</b>	<b>Ottawa County Senior Programs</b>	<b>Special Assessment Bonds</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 4,894,370	\$ 350,823	\$ 175,401	\$ 7,510,983	\$ 17,629,482
16,396			7,878	82,015
				677,234
4,818,840	438,195		235,244	8,976,376
				31,601
64,737	24		47,910	174,131
				235,435
		20,282,579	118,567	20,401,146
				1,515,744
			14,313	68,124
409,912	37,091		2,370,968	5,886,159
2,666	588		3,266	61,059
	74		5,898	372,608
			485,637	947,237
				64,078
<u>\$ 10,206,921</u>	<u>\$ 826,795</u>	<u>\$ 20,457,980</u>	<u>\$ 10,800,664</u>	<u>\$ 57,122,429</u>
\$ 18,422	\$ 7,590		\$ 165,863	\$ 419,083
			20,223	20,223
28,288	2,222		37,022	251,878
838				34,826
		\$226	358,697	358,923
2,986	6,474		28,894	80,135
27,464	1,973		35,765	306,536
<u>5,036,654</u>	<u>462,033</u>	<u>20,282,579</u>	<u>2,652,718</u>	<u>34,273,567</u>
<u>5,114,652</u>	<u>480,292</u>	<u>20,282,805</u>	<u>3,299,182</u>	<u>35,745,171</u>
579,491	101,971		623,049	2,059,500
				64,078
			485,637	947,237
				3,458,987
4,512,778	244,532		3,213,421	11,492,906
		175,175	1,365,240	1,540,415
			1,814,135	1,814,135
<u>5,092,269</u>	<u>346,503</u>	<u>175,175</u>	<u>7,501,482</u>	<u>21,377,258</u>
<u>\$ 10,206,921</u>	<u>\$ 826,795</u>	<u>\$ 20,457,980</u>	<u>\$ 10,800,664</u>	<u>\$ 57,122,429</u>

**FINANCIAL CONDITION  
OTTAWA COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2006**

<b>Total governmental fund balances</b>		<b>\$ 21,377,258</b>
<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.		34,505,193
The investment in joint venture is not a financial resource and, therefore, is not reported in the funds.		285,417
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Property taxes receivable	\$ 718,342	
Sales tax receivable	305,787	
Special assessments receivable	20,401,146	
Intergovernmental receivables	4,846,758	
Accrued interest receivable	53,821	
Total		26,325,854
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 an internal balance of \$95,132) are included in governmental activities in the statement of net assets.		2,869,596
Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in the funds.		147,489
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	9,272,316	
Special assessment bonds	3,786,100	
OWDA loans	13,725,064	
Capital lease payable	48,095	
Accrued interest payable	320,724	
Compensated absences	1,562,454	
Total		(28,714,753)
<b>Net assets of governmental activities</b>		<b>\$ 56,796,054</b>

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 FISCAL YEAR ENDED DECEMBER 31, 2006**

	<u>General</u>	<u>Road and Bridge</u>	<u>Job and Family Services</u>	<u>Mental Retardation and Developmental Disabilities</u>
<b>Revenues:</b>				
Property taxes . . . . .	\$ 2,850,920			\$ 4,421,660
Sales taxes . . . . .	5,510,889			
Other local taxes . . . . .		\$450,974		32,726
Charges for services . . . . .	1,945,648	715,872		950,797
Licenses and permits . . . . .	148,040			
Fines and forfeitures . . . . .	493,276	24,329		
Intergovernmental . . . . .	1,477,203	3,762,500	\$3,729,095	2,694,663
Special assessments . . . . .				
Investment income . . . . .	2,097,376			
Other . . . . .	1,019,303	6,360	71,129	11,051
Total revenues . . . . .	<u>15,542,655</u>	<u>4,960,035</u>	<u>3,800,224</u>	<u>8,110,897</u>
<b>Expenditures:</b>				
Current:				
General government:				
Legislative and executive . . . . .	3,929,819			
Judicial . . . . .	2,312,808			
Public safety . . . . .	5,114,448			
Public works . . . . .	514,176	4,475,766		
Health . . . . .	29,819			
Human services . . . . .	1,209,627		3,752,423	6,109,324
Conservation and recreation . . . . .				
Economic development and assistance . . . . .				
Other . . . . .	393,429			
Capital outlay . . . . .	12,240			
Debt service:				
Principal retirement . . . . .	6,034			8,967
Interest and fiscal charges . . . . .	2,261			693
Bond issuance costs . . . . .				
Total expenditures . . . . .	<u>13,524,661</u>	<u>4,475,766</u>	<u>3,752,423</u>	<u>6,118,984</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>2,017,994</u>	<u>484,269</u>	<u>47,801</u>	<u>1,991,913</u>
<b>Other financing sources (uses):</b>				
Sale of bonds . . . . .				
Premium on bonds sold . . . . .				
Transfers in . . . . .	274,591	104,946	573,904	
Transfers out . . . . .	(1,416,539)		(100,000)	(630,915)
Capital lease . . . . .	12,240			
Total other financing sources (uses) . . . . .	<u>(1,129,708)</u>	<u>104,946</u>	<u>473,904</u>	<u>(630,915)</u>
Net change in fund balances . . . . .	888,286	589,215	521,705	1,360,998
<b>Fund balances at beginning of year . . . . .</b>	<u>3,406,669</u>	<u>2,727,047</u>	<u>128,907</u>	<u>3,731,271</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 4,294,955</u>	<u>\$ 3,316,262</u>	<u>\$ 650,612</u>	<u>\$ 5,092,269</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



Ottawa County Senior Programs	Special Assessment Bonds	Other Governmental Funds	Total Governmental Funds
\$ 416,782		\$ 229,142	\$ 7,918,504
		61	5,510,950
3,304			487,004
		2,289,224	5,901,541
		133,373	281,413
		25,179	542,784
196,131		4,057,771	15,917,363
	\$2,307,573	78,427	2,386,000
			2,097,376
82,228		1,154,565	2,344,636
<u>698,445</u>	<u>2,307,573</u>	<u>7,967,742</u>	<u>43,387,571</u>
		695,133	4,624,952
		437,693	2,750,501
		837,020	5,951,468
		684,439	5,674,381
		130,682	160,501
652,502		3,378,142	15,102,018
		12,041	12,041
		2,534	2,534
		4,444	397,873
		2,065,119	2,077,359
	1,435,941	391,000	1,841,942
	793,230	361,128	1,157,312
		52,799	52,799
<u>652,502</u>	<u>2,229,171</u>	<u>9,052,174</u>	<u>39,805,681</u>
45,943	78,402	(1,084,432)	3,581,890
		2,970,000	2,970,000
		1,475	1,475
1,114	2,096	2,842,183	3,798,834
	(23,885)	(778,495)	(2,949,834)
			12,240
<u>1,114</u>	<u>(21,789)</u>	<u>5,035,163</u>	<u>3,832,715</u>
47,057	56,613	3,950,731	7,414,605
299,446	118,562	3,550,751	13,962,653
<u>\$ 346,503</u>	<u>\$ 175,175</u>	<u>\$ 7,501,482</u>	<u>\$ 21,377,258</u>

**FINANCIAL CONDITION  
OTTAWA COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006**

**Net change in fund balances - total governmental funds** \$ 7,414,605

*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	\$ 1,990,900	
Depreciation expense	<u>(1,590,763)</u>	
		400,137

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. (10,360)

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. 13,959

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 3,063,986

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. (155,777)

Proceeds of general obligation bonds and capital lease transactions provide current financial resources to governmental funds, but these obligations increase liabilities on the statement of net assets. (2,982,240)

Repayment of bond, loan, 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. 1,841,942

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	75,499	
Amortization of accounting losses	(13,187)	
Amortization of bond premiums	9,964	
Amortization of bond issue costs	<u>47,869</u>	
		120,145

The internal service fund used by management to charge the costs 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 \$284,232) is allocated among the governmental activities. 664,218

**Change in net assets of governmental activities.** \$ 10,370,615

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION  
OTTAWA COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Property taxes . . . . .	\$ 2,925,000	\$ 2,925,000	\$ 2,851,698	\$ (73,302)
Sales taxes . . . . .	4,800,000	4,800,000	5,179,145	379,145
Charges for services . . . . .	1,816,659	1,816,659	1,907,574	90,915
Licenses and permits. . . . .	218,700	218,700	148,040	(70,660)
Fines and forfeitures. . . . .	513,250	513,250	493,829	(19,421)
Intergovernmental . . . . .	1,322,103	1,322,103	1,487,995	165,892
Investment income . . . . .	1,150,000	1,150,000	1,868,297	718,297
Other . . . . .	236,500	272,138	334,444	62,306
Total revenues. . . . .	<u>12,982,212</u>	<u>13,017,850</u>	<u>14,271,022</u>	<u>1,253,172</u>
<b>Expenditures:</b>				
Current:				
General government:				
Legislative and executive . . . . .	3,935,860	4,404,693	4,314,032	90,661
Judicial. . . . .	2,345,371	2,387,727	2,362,206	25,521
Public safety . . . . .	4,885,003	5,222,086	5,189,825	32,261
Public works . . . . .	464,932	480,828	471,985	8,843
Health . . . . .	40,850	40,350	32,623	7,727
Human services . . . . .	997,538	1,230,952	1,250,031	(19,079)
Other . . . . .	366,936	367,774	367,774	
Total expenditures . . . . .	<u>13,036,490</u>	<u>14,134,410</u>	<u>13,988,476</u>	<u>145,934</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(54,278)</u>	<u>(1,116,560)</u>	<u>282,546</u>	<u>1,399,106</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets . . . . .	10,000	10,000	6,759	(3,241)
Other financing sources . . . . .	860,071	860,071	759,005	(101,066)
Transfers in. . . . .	315,000	315,000	274,591	(40,409)
Transfers out . . . . .	(1,000,750)	(1,445,085)	(1,416,539)	28,546
Advances in. . . . .			1,535,557	1,535,557
Advances out . . . . .			(1,842,945)	(1,842,945)
Total other financing sources (uses) . . . . .	<u>184,321</u>	<u>(260,014)</u>	<u>(683,572)</u>	<u>(423,558)</u>
Net change in fund balance . . . . .	130,043	(1,376,574)	(401,026)	975,548
<b>Fund balance at beginning of year . . . . .</b>	<b>835,064</b>	<b>835,064</b>	<b>835,064</b>	
<b>Prior year encumbrances appropriated . . . . .</b>	<b>363,971</b>	<b>363,971</b>	<b>363,971</b>	
<b>Fund balance at end of year. . . . .</b>	<b><u>\$ 1,329,078</u></b>	<b><u>\$ (177,539)</u></b>	<b><u>\$ 798,009</u></b>	<b><u>\$ 975,548</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION  
OTTAWA COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
ROAD AND BRIDGE FUND  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Other local taxes . . . . .	\$ 500,000	\$ 500,000	\$ 455,659	\$ (44,341)
Charges for services . . . . .	1,300,000	1,300,000	715,872	(584,128)
Fines and forfeitures . . . . .	30,000	30,000	23,929	(6,071)
Intergovernmental . . . . .	3,800,000	3,800,000	3,744,681	(55,319)
Other . . . . .	1,000	1,000	250	(750)
Total revenues . . . . .	<u>5,631,000</u>	<u>5,631,000</u>	<u>4,940,391</u>	<u>(690,609)</u>
<b>Expenditures:</b>				
Current:				
Public works . . . . .	<u>7,775,510</u>	<u>7,964,775</u>	<u>4,913,941</u>	<u>3,050,834</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(2,144,510)</u>	<u>(2,333,775)</u>	<u>26,450</u>	<u>2,360,225</u>
<b>Other financing sources:</b>				
Transfers in . . . . .	<u>75,000</u>	<u>75,000</u>	<u>104,946</u>	<u>29,946</u>
Net change in fund balance . . . . .	(2,069,510)	(2,258,775)	131,396	2,390,171
<b>Fund balance at beginning of year . . . . .</b>	2,077,830	2,077,830	2,077,830	
<b>Prior year encumbrances appropriated . . . . .</b>	<u>216,639</u>	<u>216,639</u>	<u>216,639</u>	
<b>Fund balance at end of year . . . . .</b>	<u>\$ 224,959</u>	<u>\$ 35,694</u>	<u>\$ 2,425,865</u>	<u>\$ 2,390,171</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION  
OTTAWA COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
JOB AND FAMILY SERVICES FUND  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Intergovernmental . . . . .	\$ 3,201,935	\$ 3,271,451	\$ 3,369,756	\$ 98,305
Other . . . . .	268,139	273,961	80,221	(193,740)
Total revenues. . . . .	<u>3,470,074</u>	<u>3,545,412</u>	<u>3,449,977</u>	<u>(95,435)</u>
<b>Expenditures:</b>				
Current:				
Human services . . . . .	4,225,221	4,332,966	3,889,061	443,905
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(755,147)</u>	<u>(787,554)</u>	<u>(439,084)</u>	<u>348,470</u>
<b>Other financing sources (uses):</b>				
Transfers in. . . . .	696,576	711,699	573,904	(137,795)
Transfers out . . . . .	<u>(200,000)</u>	<u>(175,000)</u>	<u>(100,000)</u>	<u>75,000</u>
Total other financing sources (uses) . . . . .	<u>496,576</u>	<u>536,699</u>	<u>473,904</u>	<u>(62,795)</u>
Net change in fund balance . . . . .	(258,571)	(250,855)	34,820	285,675
<b>Fund balance at beginning of year . . . . .</b>	46,416	46,416	46,416	
<b>Prior year encumbrances appropriated . . . . .</b>	<u>203,242</u>	<u>203,242</u>	<u>203,242</u>	
<b>Fund balance at end of year. . . . .</b>	<u>\$ (8,913)</u>	<u>\$ (1,197)</u>	<u>\$ 284,478</u>	<u>\$ 285,675</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION  
OTTAWA COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES FUND  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Property taxes . . . . .	\$ 3,938,734	\$ 4,400,000	\$ 4,429,569	\$ 29,569
Other taxes . . . . .	25,960	29,000	32,726	3,726
Charges for services . . . . .	454,745	508,000	709,492	201,492
Intergovernmental . . . . .	1,773,700	1,981,419	2,527,319	545,900
Other . . . . .	277,949	310,500	11,707	(298,793)
Total revenues. . . . .	<u>6,471,088</u>	<u>7,228,919</u>	<u>7,710,813</u>	<u>481,894</u>
<b>Expenditures:</b>				
Current:				
Human services . . . . .	6,085,829	7,078,358	6,499,346	579,012
Excess of revenues over expenditures . . . . .	<u>385,259</u>	<u>150,561</u>	<u>1,211,467</u>	<u>1,060,906</u>
<b>Other financing sources (uses):</b>				
Transfers in. . . . .	22,379	25,000		(25,000)
Transfers out . . . . .	(2,000,000)	(1,622,258)	(630,915)	991,343
Advances in . . . . .	179,033	200,000		(200,000)
Total other financing sources (uses) . . . . .	<u>(1,798,588)</u>	<u>(1,397,258)</u>	<u>(630,915)</u>	<u>766,343</u>
Net change in fund balance . . . . .	(1,413,329)	(1,246,697)	580,552	1,827,249
<b>Fund balance at beginning of year . . . . .</b>	3,540,042	3,540,042	3,540,042	
<b>Prior year encumbrances appropriated . . . . .</b>	<u>77,694</u>	<u>77,694</u>	<u>77,694</u>	
<b>Fund balance at end of year. . . . .</b>	<u>\$ 2,204,407</u>	<u>\$ 2,371,039</u>	<u>\$ 4,198,288</u>	<u>\$ 1,827,249</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION  
OTTAWA COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
OTTAWA COUNTY SENIOR PROGRAMS FUND  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Property taxes . . . . .	\$ 345,226	\$ 400,000	\$ 417,501	\$ 17,501
Other taxes . . . . .	2,848	3,300	3,304	4
Intergovernmental . . . . .	183,411	212,512	184,198	(28,314)
Other . . . . .	215,421	249,600	82,204	(167,396)
Total revenues. . . . .	<u>746,906</u>	<u>865,412</u>	<u>687,207</u>	<u>(178,205)</u>
<b>Expenditures:</b>				
Current:				
Human services . . . . .	708,929	868,883	756,034	112,849
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>37,977</u>	<u>(3,471)</u>	<u>(68,827)</u>	<u>(65,356)</u>
<b>Other financing sources (uses):</b>				
Transfers in. . . . .	40,931	47,425	1,114	(46,311)
Transfers out . . . . .	(89,367)	(235,877)		
Total other financing sources (uses) . . . . .	<u>(48,436)</u>	<u>(188,452)</u>	<u>1,114</u>	<u>(46,311)</u>
Net change in fund balance . . . . .	(10,459)	(191,923)	(67,713)	(111,667)
<b>Fund balance at beginning of year . . . . .</b>	278,883	278,883	278,883	
<b>Prior year encumbrances appropriated . . . . .</b>	<u>14,930</u>	<u>14,930</u>	<u>14,930</u>	
<b>Fund balance at end of year. . . . .</b>	<u>\$ 283,354</u>	<u>\$ 101,890</u>	<u>\$ 226,100</u>	<u>\$ (111,667)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION  
OTTAWA COUNTY**

**STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
DECEMBER 31, 2006**

	<b>Business Type Activities</b>			
	<b>Riverview Nursing Home</b>	<b>Danbury Sewer Operations</b>	<b>Regional Water Operations</b>	<b>Catawba Portage Sewer</b>
<b>Assets:</b>				
<b>Current Assets:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ 3,325,833	\$ 1,434,328	\$ 5,629,835	\$ 1,998,087
Cash with escrow agents . . . . .				
<b>Receivables (net of allowance for uncollectibles):</b>				
Property taxes . . . . .	576,062			
Accounts . . . . .	789,370	184,773	338,067	167,083
Special assessments . . . . .			65,194	
Due from other funds . . . . .	18,566	1,195	223	68
Due from other governments . . . . .	818,748	35,744		
Materials and supplies inventory . . . . .	10,537	83,560	300,600	134,539
Prepayments . . . . .	32,070	2,163	5,774	2,041
<b>Restricted Assets:</b>				
Equity in pooled cash and cash equivalents . . . . .		3,252,819		987,162
Cash with fiscal agents . . . . .		618,409		298,804
Cash with escrow agents . . . . .		58,155		
<b>Total current assets . . . . .</b>	<b>5,571,186</b>	<b>5,671,146</b>	<b>6,339,693</b>	<b>3,587,784</b>
<b>Noncurrent Assets:</b>				
Unamortized bond issuance costs . . . . .	60,845	89,836		201,552
<b>Capital assets:</b>				
Land and construction-in-progress . . . . .		3,253,579	1,541,189	2,958,221
Depreciable capital assets, net . . . . .	5,465,683	26,542,118	65,587,519	29,971,395
<b>Total noncurrent assets . . . . .</b>	<b>5,526,528</b>	<b>29,885,533</b>	<b>67,128,708</b>	<b>33,131,168</b>
<b>Total assets . . . . .</b>	<b>11,097,714</b>	<b>35,556,679</b>	<b>73,468,401</b>	<b>36,718,952</b>
<b>Liabilities:</b>				
<b>Current Liabilities:</b>				
Accounts payable . . . . .	175,652	23,590	61,718	22,107
Compensated absences . . . . .	208,782	34,307	68,614	36,596
Contracts payable . . . . .	32,571	16,517	5,530	
Retainage payable . . . . .				
Accrued wages and benefits . . . . .	104,379	7,386	16,574	9,040
Due to other funds . . . . .	7,682	152	55	152
Due to other governments . . . . .	442,942	3,453	6,744	21,951
Interfund loans payable . . . . .	595,199	14,578		1,907
Deferred revenue . . . . .	598,144			
Accrued interest payable . . . . .	11,326	120,127	360,719	21,395
General obligation revenue bonds payable . . . . .	438,000	229,477	32,300	10,000
Special assessment bonds payable . . . . .				27,000
OWDA loans payable . . . . .		209,318	1,136,775	
OPWC loans payable . . . . .		43,980	12,897	18,302
OEPA loans payable . . . . .			141,537	
<b>Liabilities payable from restricted assets:</b>				
General obligation revenue bonds payable . . . . .		35,000		165,000
Accrued interest payable . . . . .		8,499		30,015
Retainage payable . . . . .		58,155		
Notes payable . . . . .				450,000
Claims payable . . . . .				
<b>Total Current Liabilities . . . . .</b>	<b>2,614,677</b>	<b>804,539</b>	<b>1,843,463</b>	<b>813,465</b>



<b>Business Type Activities</b>		<b>Governmental</b>
<b>Other</b>	<b>Total</b>	<b>Activity -</b>
<b>Enterprise</b>	<b>Enterprise</b>	<b>Internal</b>
		<b>Service</b>
\$ 1,206,238	\$ 13,594,321	\$ 3,368,187
158,216	158,216	
	576,062	
	1,479,293	
207,512	272,706	
	20,052	
	854,492	
	529,236	
456	42,504	
	4,239,981	
	917,213	
	58,155	
<u>1,572,422</u>	<u>22,742,231</u>	<u>3,368,187</u>
	352,233	
3,067,918	10,820,907	
<u>4,809,152</u>	<u>132,375,867</u>	
<u>7,877,070</u>	<u>143,549,007</u>	
<u>9,449,492</u>	<u>166,291,238</u>	<u>3,368,187</u>
942	284,009	
56	348,355	
310,059	364,677	
158,216	158,216	
1,127	138,506	
	8,041	
260	475,350	
545,137	1,156,821	
	598,144	
29,027	542,594	
31,000	740,777	
	27,000	
	1,346,093	
12,269	87,448	
	141,537	
	200,000	
	38,514	
	58,155	
1,075,000	1,525,000	403,459
<u>2,163,093</u>	<u>8,239,237</u>	<u>403,459</u>

(continued)

**FINANCIAL CONDITION  
OTTAWA COUNTY**

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
DECEMBER 31, 2006

	<b>Business Type Activities</b>			
	<b>Riverview Nursing Home</b>	<b>Danbury Sewer</b>	<b>Regional Water</b>	<b>Catawba Portage Sewer</b>
<b>Non-Current Liabilities:</b>				
General obligation revenue bonds payable . . . . .	3,237,368	3,931,173	1,779,300	6,971,294
Special assessment bonds payable . . . . .				766,000
OWDA loans payable . . . . .		5,163,310	25,151,596	
OPWC loans payable . . . . .		393,310	219,396	243,691
Ohio water and sewer loans payable . . . . .		87,862	1,067,920	38,209
OEPA loans payable . . . . .			2,338,289	
Compensated absences . . . . .	51,904	17,625	35,250	18,801
<b>Total Non-Current Liabilities . . . . .</b>	<b>3,289,272</b>	<b>9,593,280</b>	<b>30,591,751</b>	<b>8,037,995</b>
<b>Total liabilities . . . . .</b>	<b>5,903,949</b>	<b>10,397,819</b>	<b>32,435,214</b>	<b>8,851,460</b>
<b>Net assets:</b>				
Invested in capital assets . . . . .	1,790,315	19,702,267	35,248,698	24,240,120
Restricted for:				
Repairs and replacements . . . . .		620,587		583,254
Revenue bond current debt service . . . . .		1,313,632		212,920
Revenue bond future debt service . . . . .		1,318,600		190,988
Unrestricted . . . . .	3,403,450	2,203,774	5,784,489	2,640,210
<b>Total net assets . . . . .</b>	<b>\$ 5,193,765</b>	<b>\$ 25,158,860</b>	<b>\$ 41,033,187</b>	<b>\$ 27,867,492</b>

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

<b>Business Type Activities</b>		<b>Governmental Activity - Internal Service</b>
<b>Other Enterprise</b>	<b>Total Enterprise</b>	
129,000	16,048,135	
	766,000	
16,359	30,331,265	
202,245	1,058,642	
13,128	1,207,119	
	2,338,289	
29	123,609	
<u>360,761</u>	<u>51,873,059</u>	
<u>2,523,854</u>	<u>60,112,296</u>	<u>403,459</u>
6,398,069	87,379,469	
	1,203,841	
	1,526,552	
	1,509,588	
<u>527,569</u>	<u>14,559,492</u>	<u>2,964,728</u>
<u>\$ 6,925,638</u>	<u>106,178,942</u>	<u>\$ 2,964,728</u>
	<u>95,132</u>	
	<u>\$ 106,274,074</u>	

**FINANCIAL CONDITION  
OTTAWA COUNTY**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006

	<b>Business Type Activities</b>			
	<b>Riverview Nursing Home</b>	<b>Danbury Sewer Operations</b>	<b>Regional Water Operations</b>	<b>Catawba Portage Sewer</b>
<b>Operating revenues:</b>				
Charges for services . . . . .	\$ 9,728,889	\$ 2,400,653	\$ 4,899,888	\$ 2,464,297
Other . . . . .	462,654	17,608	50,809	75,829
Total operating revenues . . . . .	<u>10,191,543</u>	<u>2,418,261</u>	<u>4,950,697</u>	<u>2,540,126</u>
<b>Operating expenses:</b>				
Personal services . . . . .	6,973,286	556,523	1,063,211	619,705
Contract services . . . . .	1,677,494	383,787	296,689	211,767
Materials and supplies . . . . .	1,244,195	220,711	269,130	169,987
Depreciation . . . . .	140,719	1,015,467	1,687,230	1,259,309
Claims . . . . .				
Other . . . . .	9,040	92,739	132,427	281,993
Total operating expenses . . . . .	<u>10,044,734</u>	<u>2,269,227</u>	<u>3,448,687</u>	<u>2,542,761</u>
Operating income (loss) . . . . .	146,809	149,034	1,502,010	(2,635)
<b>Nonoperating revenues (expenses):</b>				
Property taxes . . . . .	613,048			
Special assessments . . . . .			8,746	68,581
Grants . . . . .	87,194	603,965	141,874	263,164
Interest revenue . . . . .		13,464		5,593
Interest expense and fiscal charges . . . . .	(132,073)	(358,388)	(737,267)	(450,659)
Total nonoperating revenues (expenses) . . . . .	<u>568,169</u>	<u>259,041</u>	<u>(586,647)</u>	<u>(113,321)</u>
Income (loss) before capital contributions and transfers . . . . .	714,978	408,075	915,363	(115,956)
Capital contributions . . . . .		845,545	60,892	856,008
Transfers in . . . . .	33,708	321,830	199,730	103,568
Transfers out . . . . .	(1,562,150)		(164,303)	
Changes in net assets . . . . .	(813,464)	1,575,450	1,011,682	843,620
<b>Net assets at beginning of year (restated) . . . . .</b>	<u>6,007,229</u>	<u>23,583,410</u>	<u>40,021,505</u>	<u>27,023,872</u>
<b>Net assets at end of year . . . . .</b>	<u>\$ 5,193,765</u>	<u>\$ 25,158,860</u>	<u>\$ 41,033,187</u>	<u>\$ 27,867,492</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

<b>Business Type Activities</b>		<b>Governmental Activity - Internal Service</b>
<b>Other Enterprise</b>	<b>Total Enterprise</b>	
\$ 18,008	\$ 19,511,735	\$ 4,024,488
34,750	641,650	21,208
<u>52,758</u>	<u>20,153,385</u>	<u>4,045,696</u>
53,950	9,266,675	
438,650	3,008,387	591,776
	1,904,023	
107,418	4,210,143	
<u>28,584</u>	<u>544,783</u>	<u>3,194,633</u>
<u>628,602</u>	<u>18,934,011</u>	<u>3,786,409</u>
(575,844)	1,219,374	259,287
	613,048	
64,695	142,022	
2,077,938	3,174,135	
2,767	21,824	
<u>(35,044)</u>	<u>(1,713,431)</u>	
<u>2,110,356</u>	<u>2,237,598</u>	
1,534,512	3,456,972	259,287
1,293,866	3,056,311	
117,992	776,828	120,699
<u>(20,074)</u>	<u>(1,746,527)</u>	
2,926,296	5,543,584	379,986
<u>3,999,342</u>		<u>2,584,742</u>
<u>\$ 6,925,638</u>		<u>\$ 2,964,728</u>
	<u>(284,232)</u>	
	<u>\$ 5,259,352</u>	

**FINANCIAL CONDITION  
OTTAWA COUNTY**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006**

	<b>Business Type Activities</b>			
	<b>Riverview Nursing Home</b>	<b>Danbury Sewer Operations</b>	<b>Regional Water Operations</b>	<b>Catawba Portage Sewer</b>
<b>Cash flows from operating activities:</b>				
Cash received from customers . . . . .	\$ 9,506,091	\$ 2,400,943	\$ 4,892,153	\$ 2,461,179
Cash received for other revenues . . . . .	461,540	18,133	51,694	76,479
Cash received from transactions with other funds . . . . .				
Cash payments for personal services . . . . .	(7,126,662)	(554,416)	(1,066,406)	(615,705)
Cash payments for contract services . . . . .	(1,739,803)	(385,418)	(365,587)	(308,498)
Cash payments to suppliers . . . . .	(1,190,488)	(218,554)	(297,741)	(173,316)
Cash payments for claims . . . . .				
Cash payments for other expenses . . . . .	(2,990)	(88,201)	(128,181)	(213,948)
Net cash provided by (used in) operating activities . . . . .	<u>(92,312)</u>	<u>1,172,487</u>	<u>3,085,932</u>	<u>1,226,191</u>
<b>Cash flows from noncapital financing activities:</b>				
Property taxes . . . . .	613,048			
Advances in . . . . .	595,199	14,578		1,907
Advances out . . . . .		(115,416)	(54,185)	
Transfers in . . . . .	33,708	321,830	199,730	103,568
Transfers out . . . . .	(1,562,150)		(164,303)	
Net cash provided by (used in) noncapital financing activities . . . . .	<u>(320,195)</u>	<u>220,992</u>	<u>(18,758)</u>	<u>105,475</u>
<b>Cash flows from capital and related financing activities:</b>				
Acquisition of capital assets . . . . .	(6,500)	(1,411,174)	(342,676)	(60,186)
Grants . . . . .	108,905	1,041,932	141,874	263,164
Special assessments . . . . .			10,952	68,581
Proceeds from notes . . . . .				450,000
Proceeds from bonds . . . . .	965,000			
Bond issuance costs . . . . .	(17,155)			
Premium on issuance of bonds . . . . .	479			
Proceeds from OWDA Loan . . . . .		126,692		
Proceeds from OPWC Loans . . . . .		143,018		14,051
Principal paid on notes . . . . .				(500,000)
Interest paid on notes . . . . .				(5,273)
Principal paid on general obligation revenue bonds . . . . .	(351,000)	(520,000)	(30,800)	(175,000)
Interest paid on general obligation revenue bonds . . . . .	(105,037)	(103,224)	(87,514)	(380,105)
Principal paid on special assessment bonds . . . . .				(22,000)
Interest paid on special assessment bonds . . . . .				(43,323)
Principal paid on Ohio Water and Sewer Loans . . . . .			(33,877)	(1,153)
Principal paid on from OWDA Loans . . . . .		(262,641)	(1,106,814)	
Interest paid on from OWDA Loans . . . . .		(194,945)	(613,696)	
Principal paid on from OPWC Loans . . . . .		(35,729)	(12,897)	(15,376)
Interest paid on from OPWC Loans . . . . .		(8,347)		(3,597)
Principal paid on from OEPA Loans . . . . .			(136,014)	
Interest paid on from OEPA Loans . . . . .			(103,803)	
Net cash provided by (used in) capital and related financing activities . . . . .	<u>594,692</u>	<u>(1,224,418)</u>	<u>(2,315,265)</u>	<u>(410,217)</u>
<b>Cash flows from investing activities:</b>				
Cash received from interest . . . . .		13,464		5,593
Net cash provide by investing activities . . . . .		<u>13,464</u>		<u>5,593</u>
Net increase in cash and cash equivalents . . . . .	182,185	182,525	751,909	927,042
<b>Cash and cash equivalents at beginning of year . . . . .</b>	<u>3,143,648</u>	<u>5,181,186</u>	<u>4,877,926</u>	<u>2,357,011</u>
<b>Cash and cash equivalents at end of year . . . . .</b>	<u>\$ 3,325,833</u>	<u>\$ 5,363,711</u>	<u>\$ 5,629,835</u>	<u>\$ 3,284,053</u>

Business Type Activities		Governmental
Other Enterprise	Total Enterprise	Activity - Internal Service
\$ 18,523	\$ 19,278,889	
34,750	642,596	\$22,043
		4,024,738
(52,599)	(9,415,788)	
(37,001)	(2,836,307)	(591,776)
	(1,880,099)	
		(3,171,404)
<u>(27,642)</u>	<u>(460,962)</u>	
<u>(63,969)</u>	<u>5,328,329</u>	<u>283,601</u>
	613,048	
545,137	1,156,821	
(344,535)	(514,136)	
114,992	773,828	120,699
<u>(17,074)</u>	<u>(1,743,527)</u>	
<u>298,520</u>	<u>286,034</u>	<u>120,699</u>
(2,623,427)	(4,443,963)	
2,077,938	3,633,813	
88,276	167,809	
1,075,000	1,525,000	
	965,000	
	(17,155)	
	479	
16,359	143,051	
	157,069	
	(500,000)	
	(5,273)	
(27,000)	(1,103,800)	
(9,026)	(684,906)	
	(22,000)	
	(43,323)	
	(35,030)	
	(1,369,455)	
	(808,641)	
(12,267)	(76,269)	
	(11,944)	
	(136,014)	
	<u>(103,803)</u>	
<u>585,853</u>	<u>(2,769,355)</u>	
<u>2,767</u>	<u>21,824</u>	
<u>2,767</u>	<u>21,824</u>	
823,171	2,866,832	404,300
541,283	16,101,054	2,963,887
<u>\$ 1,364,454</u>	<u>\$ 18,967,886</u>	<u>\$ 3,368,187</u>

(continued)

**FINANCIAL CONDITION  
OTTAWA COUNTY**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006**

	<b>Business Type Activities</b>			
	<b>Riverview Nursing Home</b>	<b>Danbury Sewer</b>	<b>Regional Water</b>	<b>Catawba Portage Sewer</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>				
Operating income (loss) . . . . .	\$ 146,809	\$ 149,034	\$ 1,502,010	\$ (2,635)
Adjustments:				
Depreciation . . . . .	140,719	1,015,467	1,687,230	1,259,309
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable . . . . .	(133,939)	2,010	(6,627)	(2,400)
(Increase) decrease in due from other funds . . . . .	(3,359)	(1,195)	(223)	(68)
(Increase) decrease in due from other governments . . . . .	(86,985)			
(Increase) decrease in prepayments . . . . .	1,431	805	2,317	1,267
(Increase) decrease in materials and supplies inventory . . . . .	2,166	(8,234)	13,990	1,800
Increase (decrease) in accounts payable . . . . .	(42,838)	(14,974)	(8,353)	(35,044)
Increase (decrease) in contracts payable . . . . .	32,571	16,517	(101,237)	
Increase (decrease) in accrued wages and benefits . . . . .	2,531	(256)	939	411
Increase (decrease) in due to other funds. . . . .	4,759	(138)	20	(38)
Increase (decrease) in retainage payable . . . . .		17,885		
Increase (decrease) in due to other governments. . . . .	(162,906)	(7,491)	(10,247)	328
Increase (decrease) in compensated absences payable . . . . .	6,729	3,057	6,113	3,261
Increase (decrease) in claims payable . . . . .				
Total adjustments. . . . .	(239,121)	1,023,453	1,583,922	1,228,826
Net cash provided by (used in) operating activities . . . . .	<u>\$ (92,312)</u>	<u>\$ 1,172,487</u>	<u>\$ 3,085,932</u>	<u>\$ 1,226,191</u>
<b>Non-cash transactions:</b>				
Contributions from developers. . . . .		<u>\$ 845,545</u>	<u>\$ 60,892</u>	<u>\$ 856,008</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



<b>Business Type Activities</b>		<b>Governmental</b>
<b>Other</b>	<b>Total</b>	<b>Activity -</b>
<b>Enterprise</b>	<b>Enterprise</b>	<b>Internal</b>
		<b>Service</b>
\$ (575,844)	\$ 1,219,374	\$ 259,287
107,418	4,210,143	
	(140,956)	1,085
515	(4,330)	
	(86,985)	
(433)	5,387	
	9,722	
677	(100,532)	
244,131	191,982	
1,092	4,717	
	4,603	
158,216	176,101	
254	(180,062)	
5	19,165	
		23,229
511,875	4,108,955	24,314
<u>\$ (63,969)</u>	<u>\$ 5,328,329</u>	<u>\$ 283,601</u>
<u>\$ 1,293,866</u>	<u>\$ 3,056,311</u>	

**FINANCIAL CONDITION  
OTTAWA COUNTY**

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2006

		<u>Agency</u>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . .	\$	4,776,106
Cash in segregated accounts . . . . .		1,091,766
Receivables:		
Property taxes. . . . .		58,928,007
Due from other governments . . . . .		3,357,556
Accounts . . . . .		33,621
		<hr/>
Total assets . . . . .	\$	<u><u>68,187,056</u></u>
 <b>Liabilities:</b>		
Accounts payable . . . . .	\$	39,604
Accrued wages and benefits . . . . .		29,906
Due to other governments. . . . .		63,964,178
Undistributed monies . . . . .		4,153,368
		<hr/>
Total liabilities . . . . .	\$	<u><u>68,187,056</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION  
OTTAWA COUNTY**

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

**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 basic 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 basic 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 basic financial statements as follows:

**FINANCIAL CONDITION  
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(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  
Family and Children First Council

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.

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.

**FINANCIAL CONDITION  
OTTAWA COUNTY**

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

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

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 from 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, 2006, the County's equity interest in the Joint Solid Waste District was \$285,417. Financial information can be obtained from William Farrell, Sandusky County Auditor, 100 North Park Avenue, Fremont, Ohio 43420.

*Mental Health and Recovery Board of Erie and Ottawa Counties (MHRB)*

The MHRB is a governmental joint venture between Erie and Ottawa Counties. It provides mental health education, consultation, training, and referral services to the public. The organization is controlled by a board whose membership consists of five appointees of the State Board of Mental Health, six appointees of the Ottawa County Commissioners, and nine appointees of the Erie County Commissioners. Fiscal matters are handled by the Erie County Auditor. Financial statements for the MHRB are available, upon request, from: Mental Health and Recovery Board of Erie and Ottawa Counties, 416 Columbus Avenue, Sandusky, Ohio, 44870.

*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 2006, the County provided \$61,310 for airport operations. Financial information for the Airport Authority can be obtained from Valerie Gregory, Secretary, 3255 East State Road, Port Clinton, Ohio 43452.

**FINANCIAL CONDITION  
OTTAWA COUNTY**

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

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

*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 2006, the County contributed \$131,705 to the Regional Planning Commission.

*INSURANCE POOL*

*County Risk Sharing Authority, Inc. (CORSA)*

The County Risk Sharing Authority, Inc. is a public entity risk sharing pool 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.

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. The County does not have an equity interest in CORSA. The County's payment for insurance to CORSA in 2006 was \$316,919.

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.

**FINANCIAL CONDITION  
OTTAWA COUNTY**

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

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

***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.

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.

**FINANCIAL CONDITION  
OTTAWA COUNTY**

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

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

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.

*GOVERNMENTAL FUNDS*

Governmental funds are those through which most governmental functions of the County are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the County's 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.

Ottawa County Board of Mental Retardation and Developmental Disabilities (MRDD) Fund - This fund accounts a county-wide tax levy and federal and state grants that are used for developing and implementing programs for developmentally disabled citizens.

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



**FINANCIAL CONDITION  
OTTAWA COUNTY**

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

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

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

Regional Water Operations - 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.

*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 that 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.

**FINANCIAL CONDITION  
OTTAWA COUNTY**

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

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

**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.

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, 2006, but which were levied to finance 2007 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.

**FINANCIAL CONDITION  
OTTAWA COUNTY**

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

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

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.

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".

**FINANCIAL CONDITION  
OTTAWA COUNTY**

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

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

During fiscal year 2006, investments were limited to federal agency securities, mutual funds, and the 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 2006. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the 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, 2006.

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 2006 amounted to \$2,097,376 which includes \$2,031,970 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.

**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.

**FINANCIAL CONDITION  
OTTAWA COUNTY**

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

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

All reported capital assets are depreciated except for land and construction in progress. 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

**I. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2006, 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.

**FINANCIAL CONDITION  
OTTAWA COUNTY**

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

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

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, 2006, 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, 2006, 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.

**L. Unamortized Bond Issuance Costs/Bond Discounts and Premiums/Accounting Gain or Loss**

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 and straight-line methods, 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.

For advance refundings resulting in the defeasance of debt reported in the entity-wide and proprietary funds, 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 gain or 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 an addition to or reduction from the face amount of the new debt.

**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.

**FINANCIAL CONDITION  
OTTAWA COUNTY**

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

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

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, claims and judgments, compensated absences, and special termination benefits 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, long-term loans, and contractually required pension contributions 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.

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.

**FINANCIAL CONDITION  
OTTAWA COUNTY**

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

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

**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, 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. As of December 31,2006 there were no net assets restricted by enabling legislation.

The County applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**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.

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.



**FINANCIAL CONDITION  
OTTAWA COUNTY**

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

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

**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 2006.

**NOTE 3 - ACCOUNTABILITY AND CHANGE IN ACCOUNTING PRINCIPLES**

**A. Change in Accounting Principles**

For fiscal year 2006, the County has implemented GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation", and GASB Statement No. 47, "Accounting for Termination Benefits".

GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the basic financial statements the amount of net assets restricted by enabling legislation.

GASB Statement No. 47 establishes accounting standards for termination benefits.

The implementation of GASB Statement No. 46 and GASB Statement No. 47 did not have an effect on the fund balances/net assets of the County as previously reported at December 31, 2005.

**FINANCIAL CONDITION  
OTTAWA COUNTY**

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

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

**B. Deficit Fund Balances/Net Assets**

Fund balances/net assets at December 31, 2006, included the following individual fund deficits:

<u>Nonmajor Governmental Funds</u>	
Ditch Maintenance Program	\$ 7,485
WIA	9,959
Ditch Cleaning	4,340
Common Pleas Computer	65,516
Hazard Mitigation Grant	405
HVOE	3,354
Municipal Court Corrections	38,893
Roose Ditch Construction	10,203
Lohrbach Ditch Improvements	13,937
August Kutzner Ditch	22,883
Millinger Ditch Project	6,197
Winter's Ditch	61,054
Locust Point Pump Drainage	34,099
<u>Nonmajor Enterprise Funds</u>	
Portage Catawba Water	57,575
P-I-B Water/Wastewater Plan	323,741
Project C Water Tower SBI Park	11,087
Phase II Erie Township Sewer	37,445

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 WIA Fund and the HVOE Fund are the result of adjustments for accrued liabilities. The deficit fund balances in the other Nonmajor Governmental Funds are the result of reporting advances in, an other financing source, as interfund loans payable, a liability.

The deficit net assets in the Portage Catawba Water Fund is the result of operating losses reported in prior years. The deficit net assets in the P-I-B Water/Wastewater Plan Fund is the result of adjustments for accrued liabilities. The deficit net assets in the Project C Water Tower SBI Park Fund and the Phase II Erie Township Sewer Fund are the result of reporting advances in, another financing source, as interfund loans payable, a liability.

**FINANCIAL CONDITION  
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(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. 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 BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(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 \$216,371 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 BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**NOTE 4 - DEPOSITS AND INVESTMENTS – (Continued)**

**B. Cash in Segregated Accounts**

At year-end, the County \$1,173,781 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 \$172,833 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, 2006, the carrying amount of all County deposits was \$29,919,477. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2006, \$32,157,151 of the County's bank balance of \$33,569,595 was exposed to custodial risk as discussed below, while \$1,412,444 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, 2006, the County had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 - 12 months</u>	<u>13 - 18 months</u>	<u>19 - 24 months</u>	<u>More than 24 months</u>
FHLMC	\$ 5,376,936	\$ 5,376,936				
FHLB	3,487,665		\$ 2,492,975			\$ 994,690
FNMA	5,976,280		1,988,760	\$ 1,993,760	\$ 1,993,760	
Mutual Funds	917,213	917,213				
STAR Ohio	129,116	129,116	-	-	-	-
	<u>\$ 15,887,210</u>	<u>\$ 6,423,265</u>	<u>\$ 4,481,735</u>	<u>\$ 1,993,760</u>	<u>\$ 1,993,760</u>	<u>\$ 994,690</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.

**FINANCIAL CONDITION  
OTTAWA COUNTY**

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

**NOTE 4 - DEPOSITS AND INVESTMENTS – (Continued)**

*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 standards service.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the County's name. The County has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

*Concentration of Credit Risk:* The County 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, 2006:

<u>Investment type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
FHLMC	\$ 5,376,936	33.84%
FHLB	3,487,665	21.95%
FNMA	5,976,280	37.62%
Mutual Funds	917,213	5.77%
STAR Ohio	<u>129,116</u>	<u>0.82%</u>
	<u>\$ 15,887,210</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, 2006:

<u>Cash and Investments per Note Disclosure</u>	
Carrying amount of deposits	\$ 29,919,477
Investments	15,887,210
Cash on hand	172,833
Total	<u>\$ 45,979,520</u>

<u>Cash and Investments per Statement of Net Assets</u>	
Governmental activities	\$ 21,143,762
Business-type activities	18,967,886
Agency funds	5,867,872
Total	<u>\$ 45,979,520</u>

**FINANCIAL CONDITION  
OTTAWA COUNTY**

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

**NOTE 5 - INTERFUND TRANSACTIONS**

- A.** Interfund transfers for the year ended December 31, 2006, consisted of the following, as reported on the fund financial statements:

<u>Fund</u>	<u>Transfers Out</u>	<u>Transfers In</u>
Major Governmental Funds:		
General	\$ 1,416,539	\$ 274,591
Road and Bridge		104,946
Job and Family Services	100,000	573,904
Mental Retardation and Developmental Disabilities	630,915	
Ottawa County Senior Programs		1,114
Special Assessment Bonds	23,885	2,096
Nonmajor Governmental Funds	778,495	2,842,183
Major Enterprise Funds:		
Riverview Nursing Home	1,562,150	33,708
Danbury Sewer Operations		321,830
Regional Water Operations	164,303	199,730
Catawba Portage Sewer		103,568
Nonmajor Enterprise Funds	20,074	117,992
Nonmajor Internal Service Fund	-	120,699
Total	<u>\$ 4,696,361</u>	<u>\$ 4,696,361</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, 2006, as reported on the fund financial statements:

**FINANCIAL CONDITION  
OTTAWA COUNTY**

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

**NOTE 5 - INTERFUND TRANSACTIONS – (Continued)**

<u>Fund</u>	<u>Interfund Loans Receivable</u>	<u>Interfund Loans Payable</u>
Major Governmental Funds:		
General	\$ 1,515,744	
Special Assessment Bonds		\$ 226
Nonmajor Governmental Funds		358,697
Major Enterprise Funds:		
Riverview Nursing Home		595,199
Danbury Sewer Operations		14,578
Catawba Portage Sewer		1,907
Nonmajor Enterprise Funds	-	545,137
Total	<u>\$ 1,515,744</u>	<u>\$ 1,515,744</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.

- C. Due to/from other funds consisted of the following at December 31, 2006, as reported on the fund financial statements:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Major Governmental Funds:		
General	\$ 45,066	\$ 23,956
Road and Bridge	8,745	
Job and Family Services		17,825
MRDD		2,986
Ottawa County Senior Programs		6,474
Nonmajor Governmental Funds	14,313	28,894
Major Enterprise Funds:		
Riverview Nursing Home	18,566	7,682
Danbury Sewer Operations	1,195	152
Regional Water Operations	223	55
Catawba Portage Sewer	68	152
Total	<u>\$ 88,176</u>	<u>\$ 88,176</u>



**FINANCIAL CONDITION  
OTTAWA COUNTY**

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

**NOTE 5 - INTERFUND TRANSACTIONS – (Continued)**

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.

**NOTE 6 - PROPERTY TAXES**

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

Public utility property tax revenues received in 2006 represent the collection of 2005 taxes. Public utility real and tangible personal property taxes received in 2006 became a lien on December 31, 2004, were levied after October 1, 2005, and are collected in 2006 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in 2006 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2006 were levied after October 1, 2005, on the true value as of December 31, 2005. In prior years, tangible personal property was assessed at 25 percent of true value for capital assets and 23 percent for inventory. The tangible personal property tax is being phased out. The assessment percentage for all property, including inventory, for 2006 is 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.25 percent for 2008, and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The County Treasurer collects property taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to the taxing districts their portion of the taxes collected. The collection and distribution of taxes for all subdivisions within the County, excluding the County itself, is accounted for through agency funds. The amount of the County's tax collections is accounted for within the applicable funds.

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of December 31, 2006, and for which there was an enforceable legal claim. In governmental funds, the entire receivable has been deferred since current taxes were not levied to finance 2006 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On the accrual basis, delinquent real property taxes have been recorded as a receivable and revenue while the remainder of the receivable is deferred.

**FINANCIAL CONDITION  
OTTAWA COUNTY**

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

**NOTE 6 - PROPERTY TAXES – (Continued)**

The full tax rate for all County operations for the year ended December 31, 2006, was \$7.10 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2006 property tax receipts were based are as follows:

<u>Real Property</u>	
Residential/Agricultural	\$ 1,280,870,230
Commercial/Industrial/Mineral	249,418,990
Tangible Personal Property	46,166,829
<u>Public Utility</u>	
Real	463,970
Personal	<u>123,904,690</u>
Total Assessed Value	<u><u>\$ 1,700,824,709</u></u>

**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, 2006, 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. A summary of the principal items of receivables reported on the statement of net assets follows:

**FINANCIAL CONDITION  
OTTAWA COUNTY**

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

**NOTE 8 – RECEIVABLES – (Continued)**

<u>Receivables:</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Sales taxes	\$ 677,234	
Property taxes	8,976,376	\$ 576,062
Other local taxes	31,601	
Accounts	174,131	1,479,293
Accrued interest	235,435	
Due from other governments	5,886,159	854,492
Special assessments	20,401,146	272,706
Loans	947,237	

Receivables have been disaggregated on the basic financial statements. 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. The amount of special assessments receivable reported above includes a total of \$316,596 in delinquent special assessments. Of this total, \$314,760 is reported in governmental activities and \$1,836 is reported in business-type activities.

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 2006 follows:

	<u>Balance 12/31/2005</u>	<u>New Loans</u>	<u>Repayments</u>	<u>Balance 12/31/2006</u>
General Fund				
Airport	\$ 405,000	\$ -	\$ (20,000)	\$ 385,000
Fair Board	51,600			51,600
Visitors' Bureau	50,000	-	(25,000)	25,000
Total General Fund	<u>506,600</u>	<u>-</u>	<u>(45,000)</u>	<u>461,600</u>
Nonmajor Governmental Funds				
CHIP/HOME	489,690		(121,752)	367,938
CDBG Revolving Funds	101,975	15,724	-	117,699
Total Nonmajor Governmental Funds	<u>591,665</u>	<u>15,724</u>	<u>(121,752)</u>	<u>485,637</u>
Total Loans Receivable	<u>\$ 1,098,265</u>	<u>\$ 15,724</u>	<u>\$ (166,752)</u>	<u>\$ 947,237</u>

**FINANCIAL CONDITION  
OTTAWA COUNTY**

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

**NOTE 8 – RECEIVABLES – (Continued)**

A summary of the principal items of intergovernmental receivables follows:

**Governmental Funds:**

Major Funds:

General Fund

Local Government	\$ 415,080
Local Government Revenue Assistance	90,950
Homestead and Rollback	131,797
Municipal Court	37,877
Juvenile Court	168
Total General Fund	<u>\$ 675,872</u>

Road and Bridge Fund

Gasoline Taxes	\$ 1,123,723
Motor Vehicle Licenses	718,373
Total Road and Bridge Fund	<u>\$ 1,842,096</u>

Job and Family Services Fund

Public Assistance	\$ 370,811
Grants	179,409
Total Job and Family Services Fund	<u>\$ 550,220</u>

Mental Retardation and Developmental Disabilities Fund

State of Ohio	\$ 179,314
Homestead and Rollback	169,791
Grants	60,807
Total Mental Retardation and Developmental Disabilities Fund	<u>\$ 409,912</u>

Ottawa County Senior Programs Fund

Homestead and Rollback	\$ 18,068
Grants	19,023
Total Ottawa County Senior Programs Fund	<u>\$ 37,091</u>

Total Major Funds	<u>\$ 3,515,191</u>
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**FINANCIAL CONDITION  
OTTAWA COUNTY**

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

**NOTE 8 – RECEIVABLES – (Continued)**

**Governmental Funds:**

Nonmajor Funds:

Dog - Grants	\$	235
Homeland Security - Grants		33,473
JAIBG - Grants		28,990
Childrens Services - State of Ohio		19,548
Ottawa County Transit Board - Grants		16,816
Housing Revolving Loan - Grants		293,136
Hazard Mitigation Grant - Grants		213,920
HVOE - Grants		18,462
CDGB Economic Development Revolving Loan - Grants		84,464
Victims of Crime - Grants		52,730
General Obligation Bonds - Homestead and Rollback		10,688
OCTA Design & Construction - Grants		<u>1,598,506</u>

Total Nonmajor Funds \$ 2,370,968

**Total Governmental Funds \$ 5,886,159**

**Enterprise Funds:**

Major Funds:

Riverview Nursing Home Fund

Homestead and Rollback	\$	22,082
Medicaid & Medicare		<u>796,666</u>

Total Riverview Nursing Home Fund \$ 818,748

Danbury Sewer Operations Fund

Grants	\$	<u>35,744</u>
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Total Danbury Sewer Operations Fund \$ 35,744

**Total Enterprise Funds \$ 854,492**

**FINANCIAL CONDITION  
OTTAWA COUNTY**

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

**NOTE 8 – RECEIVABLES – (Continued)**

**Agency Funds:**

Local Government Funds	\$ 873,853
Local Government Revenue Assistance	191,474
Local Government Library	861,301
Gasoline Tax	500,754
Motor Vehicle Licenses	896,018
State of Ohio	23
Grants	<u>34,133</u>
<b>Total Agency Funds</b>	<b><u>\$ 3,357,556</u></b>

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

**NOTE 10 - CAPITAL ASSETS**

**A. Governmental Activities**

Capital asset activity for the fiscal year ended December 31, 2006 was as follows:

<b><u>Governmental Activities:</u></b>	<u>Balance</u> <u>12/31/2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2006</u>
<i>Capital asset not being depreciated:</i>				
Land	\$ 1,176,777	\$ -	\$ -	\$ 1,176,777
<i>Total capital assets not being depreciated:</i>	<u>1,176,777</u>	<u>-</u>	<u>-</u>	<u>1,176,777</u>
<i>Capital assets, being depreciated:</i>				
Buildings	16,596,485			16,596,485
Improvements other than Buildings	2,211,470			2,211,470
Roads	19,793,328	489,434		20,282,762
Bridges	6,297,631	375,118	(50,540)	6,622,209
Equipment	3,357,565	848,761	(146,248)	4,060,078
Vehicles	<u>3,690,722</u>	<u>277,587</u>	<u>(63,917)</u>	<u>3,904,392</u>
<i>Total capital assets, being depreciated:</i>	<u>51,947,201</u>	<u>1,990,900</u>	<u>(260,705)</u>	<u>53,677,396</u>
<i>Less: accumulated depreciation:</i>				
Buildings	(3,728,413)	(252,821)		(3,981,234)
Improvements other than Buildings	(258,081)	(111,624)		(369,705)
Roads	(8,656,209)	(502,783)		(9,158,992)
Bridges	(2,077,459)	(124,219)	50,540	(2,151,138)
Equipment	(2,044,860)	(275,155)	135,888	(2,184,127)
Vehicles	<u>(2,243,540)</u>	<u>(324,161)</u>	<u>63,917</u>	<u>(2,503,784)</u>
<i>Total accumulated depreciation</i>	<u>(19,008,562)</u>	<u>(1,590,763)</u>	<u>250,345</u>	<u>(20,348,980)</u>
<i>Total capital assets, being depreciated net</i>	<u>32,938,639</u>	<u>400,137</u>	<u>(10,360)</u>	<u>33,328,416</u>
Governmental activities capital assets, net	<u>\$ 34,115,416</u>	<u>\$ 400,137</u>	<u>\$ (10,360)</u>	<u>\$ 34,505,193</u>

**FINANCIAL CONDITION  
OTTAWA COUNTY**

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

**NOTE 10 - CAPITAL ASSETS – (Continued)**

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

**Governmental Activities:**

General government:	
Legislative and executive	\$ 89,266
Judicial	73,700
Public safety	161,167
Public works	970,064
Health	9,765
Human services	247,957
Conservation and recreation	36,678
Economic development and assistance	<u>2,166</u>
Total depreciation expense	<u>\$ 1,590,763</u>



**FINANCIAL CONDITION  
OTTAWA COUNTY**

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

**NOTE 10 - CAPITAL ASSETS – (Continued)**

**B. Business-Type Activities**

Capital asset activity for the fiscal year ended December 31, 2006 was as follows:

<b><u>Business-Type Activities:</u></b>	Balance <u>12/31/2005</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>12/31/2006</u>
<i>Capital asset not being depreciated:</i>				
Land	\$ 4,463,669	\$ 25,896	\$ -	\$ 4,489,565
Construction in progress	2,770,154	3,561,188	-	6,331,342
<i>Total capital assets not being depreciated:</i>	<u>7,233,823</u>	<u>3,587,084</u>	<u>-</u>	<u>10,820,907</u>
<i>Capital assets, being depreciated:</i>				
Buildings	17,784,518	158,017		17,942,535
Improvements other than Buildings	22,216,313	398,444	(97,373)	22,517,384
Water and Sewer Lines	104,367,610	3,018,691		107,386,301
Equipment	26,582,513	254,875		26,837,388
Vehicles	870,506	92,488	-	962,994
<i>Total capital assets, being depreciated:</i>	<u>171,821,460</u>	<u>3,922,515</u>	<u>(97,373)</u>	<u>175,646,602</u>
<i>Less: accumulated depreciation:</i>				
Buildings	(3,066,608)	(307,264)		(3,373,872)
Improvements other than Buildings	(4,688,943)	(466,538)	21,328	(5,134,153)
Water and Sewer Lines	(21,003,721)	(2,305,606)		(23,309,327)
Equipment	(9,634,344)	(1,079,132)		(10,713,476)
Vehicles	(688,304)	(51,603)	-	(739,907)
<i>Total accumulated depreciation</i>	<u>(39,081,920)</u>	<u>(4,210,143)</u>	<u>21,328</u>	<u>(43,270,735)</u>
<i>Total capital assets, being depreciated net</i>	<u>132,739,540</u>	<u>(287,628)</u>	<u>(76,045)</u>	<u>132,375,867</u>
Business-type activities capital assets, net	<u>\$ 139,973,363</u>	<u>\$ 3,299,456</u>	<u>\$ (76,045)</u>	<u>\$ 143,196,774</u>

Depreciation expense was charged to the enterprise funds as follows:

**Business-Type Activities:**

Major Funds:

Riverview Nursing Home	\$ 140,719
Danbury Sewer Operations	1,015,467
Regional Water Operations	1,687,230
Catawba Portage Sewer	1,259,309

Nonmajor Funds:

Portage Catawba Water	590
Sewer District #13	<u>106,828</u>

Total depreciation expense \$ 4,210,143

**FINANCIAL CONDITION  
OTTAWA COUNTY**

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

**NOTE 11 - LONG-TERM OBLIGATIONS**

A. Long-term obligation activity for the fiscal year ended December 31, 2006, was as follows:

<u>Governmental Activities:</u>	<u>Interest Rate</u>	<u>Balance 12/31/05</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/06</u>	<u>Amount Due in One Year</u>
<u>General Obligation Bonds:</u>						
1984 Welfare (original amount \$350,000)	9.75%	\$ 40,000		\$ (10,000)	\$ 30,000	\$ 10,000
1998 Various Improvement Bonds:						
Welfare Building Refunding (original amount \$220,000)	4.25-5.50	106,000		(16,000)	90,000	16,000
Agriculture Building (original amount \$1,250,000)	4.25-5.50	705,000		(75,000)	630,000	75,000
2003 Various Purpose Bonds:						
City/County Complex Bond premium Accounting loss (original amount \$1,385,000)	3.63	1,185,000 46,788 (104,430)		(80,000) (3,159) 7,050	1,105,000 43,629 (97,380)	75,000
Industrial Park Improvements Bond premium Accounting loss (original amount \$510,000)	3.64	590,000 23,619 (54,804)		(35,000) (1,401) 3,251	555,000 22,218 (51,553)	40,000
Airport Improvements Bond premium Accounting loss (original amount \$695,000)	3.63	445,000 17,923 (42,804)		(30,000) (1,208) 2,886	415,000 16,715 (39,918)	30,000
Community Resource Center Bond premium (original amount \$3,060,000)	4.18	2,760,000 33,221		(85,000) (1,023)	2,675,000 32,198	85,000
Port Authority Improvements Bond premium (original amount \$605,000)	3.19	475,000 48,987		(40,000) (4,125)	435,000 44,862	45,000
Airport Improvements Bond premium (original amount \$465,000)	3.96	405,000 10,593		(20,000) (523)	385,000 10,070	20,000
2006 Various Purpose Bonds:						
MRDD Facility Bonds Bond premium (original amount \$2,020,000)	4.00-4.40		\$ 2,020,000 1,003		2,020,000 1,003	70,000
Riverview Industries Building Bond premium (original amount \$950,000)	4.00-4.40		950,000 472		950,000 472	30,000
<b>Total General Obligation Bonds</b>		<u>6,690,093</u>	<u>2,971,475</u>	<u>(389,252)</u>	<u>9,272,316</u>	<u>496,000</u>

**FINANCIAL CONDITION  
OTTAWA COUNTY**

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

**NOTE 11 - LONG-TERM OBLIGATIONS – (Continued)**

<u>Governmental Activities:</u>	<u>Interest Rate</u>	<u>Balance 12/31/05</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/06</u>	<u>Amount Due in One Year</u>
<u>Special Assessment Bonds:</u>						
1986 Sun Valley (original amount \$192,000)	7.00%	\$ 10,000		\$ (10,000)		
1991 LaCarne Water (original amount \$45,000)	7.00	13,700		(2,300)	\$ 11,400	\$ 2,300
1995 Gypsum Sewer (original amount \$112,769)	4.50	56,400		(5,700)	50,700	5,600
1998 Lake In The Woods (original amount \$213,000)	4.25-5.50	57,000		(20,000)	37,000	19,000
1998 Catawba Sewer Refunding (original amount \$8,395,000)	4.25-5.50	4,190,000		(625,000)	3,565,000	650,000
1998 State Route 163 Refunding (original amount \$209,000)	4.25-5.50	106,000		(16,000)	90,000	16,000
1998 Route 269 Sewer Refunding (original amount \$68,000)	4.25-5.50	37,000		(5,000)	32,000	5,000
		<u>4,470,100</u>	<u>-</u>	<u>(684,000)</u>	<u>3,786,100</u>	<u>697,900</u>
Total Special Assessment Bonds						
<u>OWDA Loans:</u>						
1998 Dani-Donn (original amount \$47,710)	5.54	37,377		(1,935)	35,442	2,043
1999 Perryview Estates (original amount \$127,826)	6.13	106,359		(4,728)	101,631	5,022
1999 Regional Water (original amount \$17,942,681)	4.02	14,333,269		(745,278)	13,587,991	775,540
		<u>14,477,005</u>	<u>-</u>	<u>(751,941)</u>	<u>13,725,064</u>	<u>782,605</u>
Total OWDA Loans						
<u>Other Long-Term Obligations:</u>						
Capital Leases		50,856	\$ 12,240	(15,001)	48,095	16,344
Compensated Absences		1,423,042	951,622	(777,384)	1,597,280	916,487
		<u>1,473,898</u>	<u>963,862</u>	<u>(792,385)</u>	<u>1,645,375</u>	<u>932,831</u>
Total Other Long-Term Obligations						
<b>Total Governmental Activities</b>		<u>\$ 27,111,096</u>	<u>\$ 3,935,337</u>	<u>\$ (2,617,578)</u>	<u>\$ 28,428,855</u>	<u>\$ 2,909,336</u>

**FINANCIAL CONDITION  
OTTAWA COUNTY**

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

**NOTE 11 - LONG-TERM OBLIGATIONS – (Continued)**

<u>Business-Type Activities:</u>	<u>Interest Rate</u>	<u>Balance 12/31/05</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/06</u>	<u>Amount Due in One Year</u>
<u>General Obligation Revenue Bonds:</u>						
1993 Danbury Sanitary Sewer System						
Capital Appreciation Bonds	5.75-5.85	\$ 599,058		\$ (212,594)	\$ 386,464	\$ 199,477
Accreted Interest (original amount \$1,061,625)	4.25-5.50	619,420	\$ 71,673	(242,406)	448,687	
1998 Danbury Sewer (original amount \$444,000)	4.25	234,000		(30,000)	204,000	30,000
1998 County Home Refunding (original amount \$862,000)	4.25	428,000		(66,000)	362,000	63,000
1998 Catawba Portage Sanitary Sewer (original amount \$3,445,000)	4.25	2,525,000		(165,000)	2,360,000	165,000
1998 Catawba Portage Sanitary Sewer Accounting Loss (original amount \$5,055,000)	5.00	5,055,000 (477,420)		18,362	5,055,000 (459,058)	
1998 Portage Catawba Water (original amount \$379,000)	4.25	187,000		(27,000)	160,000	31,000
1999 Regional Water Development (original amount \$2,000,000)	4.75	1,842,400		(30,800)	1,811,600	32,300
2003 Danbury Sewer Refunding Bond Discount Accounting Loss (original amount \$3,355,000)	3.30	3,310,000 (27,397) (92,371)		(35,000) 290 977	3,275,000 (27,107) (91,394)	35,000
2003 County Home Refunding Bond Premium Accounting Loss (original amount \$3,650,000)	3.07	2,855,000 61,894 (308,636)		(285,000) (6,179) 30,810	2,570,000 55,715 (277,826)	295,000
2003 Catawba Portage Sewer Station Bond Premium Accounting Loss (original amount \$245,000)	3.66	210,000 8,914 (19,045)		(10,000) (424) 907	200,000 8,490 (18,138)	10,000
2006 County Home Improvements Bond Premium (original amount \$965,000)	4.00-4.25		965,000 479		965,000 479	80,000
<b>Total General Obligation Bonds</b>		<u>17,010,817</u>	<u>1,037,152</u>	<u>(1,059,057)</u>	<u>16,988,912</u>	<u>940,777</u>
<u>Special Assessment Bonds:</u>						
2005 Sanitary Sewer Improvements (original amount \$815,000)	5.00	815,000		(22,000)	793,000	27,000
<b>Total Special Assessment Bonds</b>		<u>815,000</u>	<u>-</u>	<u>(22,000)</u>	<u>793,000</u>	<u>27,000</u>

**FINANCIAL CONDITION  
OTTAWA COUNTY**

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

**NOTE 11 - LONG-TERM OBLIGATIONS – (Continued)**

<u>Business-Type Activities:</u>	<u>Interest Rate</u>	<u>Balance 12/31/05</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/06</u>	<u>Amount Due in One Year</u>
<u>OWDA Loans:</u>						
1997 Danbury Sanitary Sewer (original amount \$1,246,205)	3.04%	\$ 835,514		\$ (58,661)	\$ 776,853	\$ 60,458
1997 Regional Water (original amount \$29,991,085)	2.00	24,084,655		(1,054,451)	23,030,204	1,075,539
2001 Camp Perry Western Road (original amount \$17,145)	5.74	15,358		(579)	14,779	613
2004 Danbury Township Wastewater (original amount \$4,632,743)	3.76	4,673,063	\$ 126,692	(203,980)	4,595,775	148,860
2004 Golf Lane Waterline (original amount \$69,018)	4.56	67,943		(2,224)	65,719	2,326
2004 Water Plant Expansion (original amount \$3,065,360)	4.51	3,227,229		(49,560)	3,177,669	58,297
2006 South Bass Island Waterline (original amount \$16,359)	2.00		16,359		16,359	
Total OWDA Loans		<u>32,903,762</u>	<u>143,051</u>	<u>(1,369,455)</u>	<u>31,677,358</u>	<u>1,346,093</u>
<u>OPWC Loans:</u>						
1992 Danbury Sanitary Sewer (original amount \$486,780)	4.00	215,426		(27,242)	188,184	28,342
1994 Portage Catawba Island WWTP (original amount \$168,000)	4.00	92,072		(8,686)	83,386	9,037
1999 Danbury Sewer (original amount \$169,741)	0.00	114,575		(8,487)	106,088	8,487
1999 Allen / Clay Sanitary Sewer (original amount \$23,035)	0.00	15,547		(1,150)	14,397	1,152
2003 Gypsum Water Replacements (original amount \$83,933)	0.00	75,540		(4,197)	71,343	4,197
2003 Clay Center Sanitary Sewer (original amount \$222,352)	0.00	211,234		(11,117)	200,117	11,117
2004 Regional Water System Repair (original amount \$174,000)	0.00	169,650		(8,700)	160,950	8,700
2004 State Road Sanitary Sewer (original amount \$133,798)	0.00	133,798		(6,690)	127,108	6,690
2005 State Road Sewer (original amount \$37,448)	0.00	37,448	14,051		51,499	2,575
2006 S.R. 269 Sanitary Sewer Main (original amount \$143,018)	0.00		143,018		143,018	7,151
Total OPWC Loans		<u>1,065,290</u>	<u>157,069</u>	<u>(76,269)</u>	<u>1,146,090</u>	<u>87,448</u>

**FINANCIAL CONDITION  
OTTAWA COUNTY**

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

**NOTE 11 - LONG-TERM OBLIGATIONS – (Continued)**

<u>Business-Type Activities:</u>	<u>Interest Rate</u>	<u>Balance 12/31/05</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/06</u>	<u>Amount Due in One Year</u>
<u>Ohio Water &amp; Sewer Loans:</u>						
1991 Portage Catawba Water (original amount \$185,855)	0.00%	\$ 72,766			\$ 72,766	
1992 Danbury Sewer (original amount \$216,741)	0.00	87,862			87,862	
1992 Catawba Portage Sewer (original amount \$28,662)	0.00	10,372		\$ (1,153)	9,219	
1999 Regional Water (original amount \$1,108,668)	0.00	1,000,207		(33,489)	966,718	
2001 Camp Perry Western Road (original amount \$37,929)	0.00	28,824		(388)	28,436	
2004 Clay Center (original amount \$13,128)	0.00	13,128			13,128	
2005 State Road Sewer (original amount \$28,990)	0.00	28,990			28,990	
Total Ohio Water & Sewer Loans		<u>1,242,149</u>	<u>-</u>	<u>(35,030)</u>	<u>1,207,119</u>	<u>-</u>
<u>OEPA Loans:</u>						
1999 Regional Water (original amount \$3,274,564)	4.02	2,615,840		(136,014)	2,479,826	\$ 141,537
Total OEPA Loans		<u>2,615,840</u>	<u>-</u>	<u>(136,014)</u>	<u>2,479,826</u>	<u>141,537</u>
<u>Other Long-Term Obligations:</u>						
Compensated Absences		452,799	\$ 343,123	(323,958)	471,964	348,355
Total Other Long-Term Obligations		<u>452,799</u>	<u>343,123</u>	<u>(323,958)</u>	<u>471,964</u>	<u>348,355</u>
<b>Total Business-Type Activities</b>		<u>\$ 56,105,657</u>	<u>\$ 1,680,395</u>	<u>\$ (3,021,783)</u>	<u>\$ 54,764,269</u>	<u>\$ 2,891,210</u>

**FINANCIAL CONDITION  
OTTAWA COUNTY**

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

**NOTE 11 - LONG-TERM OBLIGATIONS – (Continued)**

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

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

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 BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(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.

2006 Various Improvement Bonds

On June 28, 2006, the County issued \$3,935,000 in general obligation bonds with interest rates from 4.00 percent to 4.40 percent. These bonds were issued for constructing a new building for Mentally Retarded and Developmentally Disabled, Riverview Industries building improvements, and various County building improvements.

The bonds maturing on December 1, 2018, are subject to mandatory sinking fund redemption on December 1, 2017, at a redemption price of 100 percent of the principal redeemed plus accrued interest to the redemption dates in the principal amounts and in the years as follows:

<u>Year</u>	<u>Amount</u>
2017	\$ 145,000

Unless otherwise called for redemption, the remaining principal, in the amount of \$155,000, is payable at stated maturity.

The bonds maturing on December 1, 2020, are subject to mandatory sinking fund redemption on December 1, 2019, at a redemption price of 100 percent of the principal redeemed plus accrued interest to the redemption dates in the principal amounts and in the years as follows:

<u>Year</u>	<u>Amount</u>
2019	\$ 160,000

Unless otherwise called for redemption, the remaining principal, in the amount of \$165,000, is payable at stated maturity.

The bonds maturing on December 1, 2022, are subject to mandatory sinking fund redemption on December 1, 2021, at a redemption price of 100 percent of the principal redeemed plus accrued interest to the redemption dates in the principal amounts and in the years as follows:

<u>Year</u>	<u>Amount</u>
2021	\$ 175,000

**FINANCIAL CONDITION  
OTTAWA COUNTY**

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

**NOTE 11 - LONG-TERM OBLIGATIONS – (Continued)**

Unless otherwise called for redemption, the remaining principal, in the amount of \$180,000, is payable at stated maturity.

The bonds maturing on December 1, 2024, are subject to mandatory sinking fund redemption on December 1, 2023, at a redemption price of 100 percent of the principal redeemed plus accrued interest to the redemption dates in the principal amounts and in the years as follows:

<u>Year</u>	<u>Amount</u>
2023	\$ 190,000

Unless otherwise called for redemption, the remaining principal, in the amount of \$195,000, is payable at stated maturity.

The bonds maturing on December 1, 2026, are subject to mandatory sinking fund redemption on December 1, 2025, at a redemption price of 100 percent of the principal redeemed plus accrued interest to the redemption dates in the principal amounts and in the years as follows:

<u>Year</u>	<u>Amount</u>
2025	\$ 205,000

Unless otherwise called for redemption, the remaining principal, in the amount of \$215,000, is payable at stated maturity.

The bonds maturing on December 1, 2018 and thereafter shall be subject to optional redemption, in whole or in part, on any date, in any order of maturity as determined by the County and by lot within a maturity at the option of the County on or after December 1, 2016, at par, which is 100 percent of the face value of the bonds.

**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.

**FINANCIAL CONDITION  
OTTAWA COUNTY**

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

**NOTE 11 - LONG-TERM OBLIGATIONS – (Continued)**

**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:

<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. Relating to the 1993 Danbury Sanitary Sewer System Refunding Bonds, restricted assets held by the trustee at December 31, 2006 were as follows:

Revenue Bond Current Debt Service	\$ 1,313,632
Revenue Bond Future Debt Service	1,318,600
Repairs and Replacements	620,587

**FINANCIAL CONDITION  
OTTAWA COUNTY**

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

**NOTE 11 - LONG-TERM OBLIGATIONS – (Continued)**

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:

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

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

The bonds maturing 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:

Redemption Dates (Dates Inclusive)	Redemption Prices
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. Relating to the Catawba Portage Sanitary Sewer Revenue Refunding Bonds, restricted assets held by the trustee at December 31, 2006, were as follows:

Revenue Bond Current Debt Service	\$ 212,920
Revenue Bond Future Debt Service	190,988
Repairs and Replacements	583,254

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, 2006, \$8,290,600 of this debt was still outstanding.

**FINANCIAL CONDITION  
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(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 2006 South Bass Island Waterline loan is not "closed". At year-end, final disbursements have not been made from OWDA for this loan; therefore, it is 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.

Based on this calculation, the County's legal voted debt margin was \$33,108,925 (including available funds of \$1,360,624) at December 31, 2006, and the legal unvoted debt margin was \$9,096,555.

**FINANCIAL CONDITION  
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(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		Special Assessment Bonds		OWDA Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 496,000	\$ 381,996	\$ 697,900	\$ 185,675	\$ 782,605	\$ 546,637
2008	515,000	366,383	726,000	154,901	814,519	514,722
2009	530,000	349,304	742,800	122,174	847,740	481,503
2010	535,000	331,553	772,900	87,958	882,319	446,925
2011	549,000	311,649	818,000	45,470	918,309	410,933
2012 - 2016	2,595,000	1,238,506	28,500	2,834	5,185,086	1,461,125
2017 - 2021	2,025,000	693,740			4,294,486	353,858
2022 - 2026	1,855,000	284,185				
2027	190,000	8,075	-	-	-	-
<b>Total</b>	<b>\$ 9,290,000</b>	<b>\$ 3,965,391</b>	<b>\$ 3,786,100</b>	<b>\$ 599,012</b>	<b>\$ 13,725,064</b>	<b>\$ 4,215,703</b>

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

Year Ended	General Obligation Revenue Bonds		Special Assessment Bonds		OWDA Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 940,777	\$ 1,146,835	\$ 27,000	\$ 37,747	\$ 1,346,093	\$ 837,779
2008	947,787	1,134,441	28,000	36,462	1,430,732	769,498
2009	1,250,400	666,548	30,000	35,129	1,448,404	735,470
2010	1,342,000	625,819	31,000	33,701	1,483,336	700,536
2011	1,309,900	575,361	32,000	32,225	1,519,204	664,668
2012 - 2016	5,049,000	2,520,449	186,000	136,660	8,168,744	2,750,620
2017 - 2021	1,435,900	1,183,631	231,000	88,297	8,869,989	1,714,899
2022 - 2026	2,130,800	1,048,988	228,000	27,751	6,073,732	627,968
2027 - 2031	2,618,800	477,065			779,105	225,691
2032 - 2034	323,700	31,231	-	-	558,019	44,861
<b>Total</b>	<b>\$ 17,349,064</b>	<b>\$ 9,410,368</b>	<b>\$ 793,000</b>	<b>\$ 427,972</b>	<b>\$ 31,677,358</b>	<b>\$ 9,071,990</b>

**FINANCIAL CONDITION  
OTTAWA COUNTY**

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

**NOTE 11 - LONG-TERM OBLIGATIONS – (Continued)**

<u>Year Ended</u>	<u>OPWC Loans</u>		<u>OEPA Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 87,448	\$ 10,493	\$ 141,537	\$ 98,281
2008	88,958	8,983	147,284	92,534
2009	90,531	7,411	153,264	86,553
2010	92,162	5,777	159,487	80,330
2011	93,865	4,076	165,963	73,854
2012 - 2016	319,293	3,488	936,540	262,549
2017 - 2021	226,247		775,751	63,611
2022 - 2026	147,586	-	-	-
Total	<u>\$ 1,146,090</u>	<u>\$ 40,228</u>	<u>\$ 2,479,826</u>	<u>\$ 757,712</u>

**Industrial Revenue Bonds**

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

	<u>Amount of Issuance</u>	<u>Amount Outstanding at 12/31/06</u>
Adrian Sand and Stone Inc.	\$ 5,000,000	\$ 840,000
Luther Home of Mercy	5,120,000	3,455,000
Otterbein Home	67,960,000	42,805,000
Ottawa Residential Services	4,043,000	3,672,000
Magruder Hospital	7,500,000	5,120,000

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

**NOTE 12 - NOTES PAYABLE**

The changes in the County's notes payable during 2006 were as follows:

<u><b>Bond Anticipation Notes</b></u>	<u>Interest Rate</u>	<u>Balance at 12/31/2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 12/31/2006</u>
<u>Governmental Activities</u>					
2005 County Building Improvements	3.05%	\$ 1,500,000	\$ -	\$ (1,500,000)	\$ -
Total Governmental Activities		<u>\$ 1,500,000</u>	<u>\$ -</u>	<u>\$ (1,500,000)</u>	<u>\$ -</u>
<u>Business-Type Activities</u>					
2005 Sewer System Improvements	2.85%	\$ 500,000		\$ (500,000)	\$ -
2006 PCI Project Sanitary Sewer	4.00%		\$ 450,000		450,000
2006 Phase IV Allen / Clay Sewer	4.00%		625,000		625,000
2006 Water System Improvements	4.00%	-	450,000	-	450,000
Total Business-Type Activities		<u>\$ 500,000</u>	<u>\$ 1,525,000</u>	<u>\$ (500,000)</u>	<u>\$ 1,525,000</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 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 matured on June 28, 2006 and was repaid from the Energy Management capital project 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 matured on February 8, 2006 and was repaid from the Catawba Portage Sewer enterprise fund.

On February 8, 2006, the County issued a bond anticipation note in the amount of \$450,000 in order to provide financial resources for sanitary sewer system improvements. This note matures on February 7, 2007, carries an interest rate of 4.00%, and will be repaid from the Catawba Portage Sewer enterprise fund.

On February 8, 2006, the County issued a bond anticipation note in the amount of \$625,000 in order to provide financial resources for sanitary sewer system improvements. This note matures on February 7, 2007, carries an interest rate of 4.00%, and will be repaid from the Sewer District Reserve enterprise fund.

On August 29, 2006, the County issued a bond anticipation note in the amount of \$450,000 in order to provide financial resources for water system improvements. This note matures on August 28, 2007, carries an interest rate of 4.00%, and will be repaid from the P-I-B Water/Wastewater Plan enterprise fund.



**FINANCIAL CONDITION  
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(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 2006 were \$15,001 for governmental funds.

	<u>Governmental Activities</u>
Equipment	\$ 90,196
Less: Accumulated Depreciation	<u>(23,392)</u>
Carrying Value, December 31, 2006	<u><u>66,804</u></u>

During fiscal 2006, the County entered into a new capital lease agreement for equipment. The present value of the future minimum lease payments for this lease is \$12,240.

The following is a schedule of the further minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2006.

<u>Year Ended</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 16,344	\$ 2,304
2008	14,733	1,515
2009	8,671	881
2010	7,660	292
2011	<u>687</u>	<u>6</u>
Total	<u><u>\$ 48,095</u></u>	<u><u>\$ 4,998</u></u>

**FINANCIAL CONDITION  
OTTAWA COUNTY**

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

**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.

**FINANCIAL CONDITION  
OTTAWA COUNTY**

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

**NOTE 14 - RISK MANAGEMENT – (Continued)**

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, 2006 was estimated by the third party administrator at \$403,459.

The changes in the claims liability for 2006 and 2005 were:

Year <u>Liability</u>	Beginning <u>Balance</u>	Current Year Claims and Changes <u>in Estimates</u>	Claims <u>Payments</u>	Ending <u>Balance</u>
2006	\$ 380,230	\$ 3,194,633	\$ 3,171,404	\$ 403,459
2005	576,544	2,357,798	2,554,112	380,230

**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.

**FINANCIAL CONDITION  
OTTAWA COUNTY**

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

**NOTE 15 - PENSION PLANS – (Continued)**

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) 222-5601 or (800) 222-7377.

For the year ended December 31, 2006, the members of all three plans, except those in law enforcement under the traditional plan, were required to contribute 9.0% of their annual covered salaries. Members participating in the traditional plan that were in law enforcement contributed 10.1% of their annual covered salary. The County's contribution rate for pension benefits for 2006 was 9.20%, except for those plan members in law enforcement and public safety. For those classifications, the County's pension contributions were 12.43% 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, 2006, 2005, and 2004, were \$1,904,777, \$1,944,446, and \$1,929,355, respectively; 91.52% has been contributed for 2006 and 100% has been contributed for 2005 and 2004. The unpaid contribution to fund pension obligations for 2006, in the amount of \$161,561, is recorded as a liability.

**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 2006 local government employer contribution rate was 13.70% of covered payroll (16.93% for public safety and law enforcement); 4.50% of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50%, 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 6.30% based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate (4.00%) plus an additional factor ranging from .50% to 6.00% for the next nine years. In subsequent years, (10 and beyond) health care costs were assumed to increase at 4.00%.

**FINANCIAL CONDITION  
OTTAWA COUNTY**

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

**NOTE 16 - POSTEMPLOYMENT BENEFITS – (Continued)**

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

The number of active contributing participants in the traditional and combined plans was 369,214 as of December 31, 2006. The County's actual employer contributions for 2006 which were used to fund postemployment benefits were \$799,807. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005 (the latest information available) were \$11.1 billion. At December 31, 2005 (the latest information available), the actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, is effective on January 1, 2007. OPERS took additional actions to improve the solvency of the Health care Fund in 2005 by creating a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional fund to be allocated to the health care plan.

**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:

**FINANCIAL CONDITION  
OTTAWA COUNTY**

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

**NOTE 17 - BUDGETARY BASIS OF ACCOUNTING – (Continued)**

**Net Change in Fund Balances**

	Governmental Funds				
	General	Road and Bridge	Job and Family Services	MRDD	County Senior Programs
Budget basis	\$ (401,026)	\$ 131,396	\$ 34,820	\$ 580,552	\$ (67,713)
Net adjustment for revenue accruals	1,271,633	19,644	350,247	400,084	11,238
Net adjustment for expenditure accruals	(15,731)	47,801	(12,833)	(220,159)	(12,504)
Net adjustment for other financing sources/(uses)	(446,136)				
Encumbrances (budget-basis)	479,546	390,374	149,471	600,521	116,036
GAAP basis	\$ 888,286	\$ 589,215	\$ 521,705	\$ 1,360,998	\$ 47,057

**NOTE 18 - CONTINGENCIES**

**A. 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.

**FINANCIAL CONDITION  
OTTAWA COUNTY**

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

**NOTE 19 - CONTRACTUAL COMMITMENTS**

The County had the following contractual commitments outstanding as of December 31, 2006:

<u>Contractor</u>	<u>Contractual Commitment</u>	<u>Contract Balance</u>
Poggemeyer Design Group	\$ 946,570	\$ 539,585
Brunkhorst Engineering	240,700	94,847
Speer Brothers, Inc.	1,647,013	1,131,253
Metcalf & Eddy	265,286	46,611
Kwest Group, LLC	671,327	3,942
Underground Utilities, Inc.	<u>2,233,092</u>	<u>392,724</u>
Total	<u>6,003,988</u>	<u>2,208,962</u>

**NOTE 20 - RELATED PARTY TRANSACTIONS**

During 2006, 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 \$201,138 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.

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.

**FINANCIAL CONDITION  
OTTAWA COUNTY**

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

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

**B. Deposits and Investments**

The carrying amount of Riverview Industries' deposits at year end was \$632,521 and the bank balance was \$627,966. Of the bank balance, \$478,959 was covered by federal depository insurance and \$149,007 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, 2006, was as follows:

	Balance December 31, 2005	Additions	Reductions	Balance December 31, 2006
Buildings	\$ 14,660			\$ 14,660
Building Improvements	11,397			11,397
Furniture and Fixtures	68,984	\$ 5,703		74,687
Equipment	60,454	11,742	\$ (5,915)	66,281
Vehicles	79,579	35,675	(17,044)	98,210
Total Depreciable Capital Assets	235,074	53,120	(22,959)	265,235
Less Accumulated Depreciation	(133,878)	(35,629)	16,145	(153,362)
Total Depreciable Capital Assets, Net	<u>\$ 101,196</u>	<u>\$ 17,491</u>	<u>\$ (6,814)</u>	<u>\$ 111,873</u>

**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 2006, 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.



**FINANCIAL CONDITION  
OTTAWA COUNTY**

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

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

**F. Debt**

The Industries' long-term obligations activity for the year ended December 31, 2006, was as follows:

	Balance December 31, <u>2005</u>	<u>Additions</u>	<u>Reductions</u>	Balance December 31, <u>2006</u>	Due Within <u>One Year</u>
Line of Credit	\$ 28,000			\$ 28,000	\$ -
Compensated Absences	73,643	\$ 1,937		75,580	
Capital Lease	<u>2,194</u>	<u>-</u>	<u>\$ (2,194)</u>	<u>-</u>	<u>-</u>
	<u>\$ 103,837</u>	<u>\$ 1,937</u>	<u>\$ (2,194)</u>	<u>\$ 103,580</u>	<u>\$ -</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, 2006, \$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.

Principal payments in 2006, which were the final principal payments, were \$2,194. No liability exists as of December 31, 2006.

Equipment	\$ 21,000
Less Accumulated Depreciation	<u>(18,000)</u>
Carrying Value, December 31, 2006	<u>\$ 3,000</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.

**FINANCIAL CONDITION  
OTTAWA COUNTY**

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

<b>FEDERAL GRANTOR</b>	Pass Through	Federal	Disburse-
<i>Pass Through Grantor</i>	Entity	CFDA	ments
Program Title	Number	Number	
<b>UNITED STATES DEPARTMENT OF JUSTICE</b>			
<i>Passed Through Ohio Attorney General's Office</i>			
Crime Victim Assistance	2007-VAGene248	16.575	\$ 7,986
<i>Passed Through Ohio Department of Youth Services</i>			
Juvenile Accountability Block Grants	2004-JB-013-B031	16.523	13,787
<i>Passed Through Drug Task Force - Erie County</i>			
Edward Byrne Memorial Formula Grant Program	05-JG-A01-6403	16.579	<u>19,985</u>
Total Department of Justice			<u><b>41,758</b></u>
<b>UNITED STATES DEPARTMENT OF TRANSPORTATION</b>			
<i>Passed Through Ohio Department of Transportation</i>			
Formula Grants for Other Than Urbanized Areas	4062-025-061	20.509	233,325
	0062-025-062		<u>76,208</u>
Total Department of Transportation			<u><b>309,533</b></u>
<b>UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities</i>			
Social Services Block Grant	FY 06-07	93.667	47,356
State Children's Insurance Program (SCHIP)	6200015	93.767	1,638
Medical Assistance Program			
Individual Options	6200015	93.778	479,223
Targeted Case Management	6200015	93.778	230,494
Level 1 Waiver Programs	6200015	93.778	<u>65,829</u>
<i>Total Medical Assistance Program</i>			<u>775,546</u>
<i>Passed Through Ohio Department of Job and Family Services</i>			
Promoting Safe and Stable Families	n/a	93.556	30,685
Child Welfare Services- State Grants	n/a	93.645	57,153
<i>Passed Through Area Office on Aging</i>			
Special Programs for the Aging - Title III, Part B	n/a	93.044	44,600
<i>Passed Through Area Office on Aging</i>			
Special Programs for the Aging - Title III, Part C	n/a	93.045	<u>34,596</u>
Total Department of Health and Human Services			<u><b>991,574</b></u>

(Continued)

**FINANCIAL CONDITION  
OTTAWA COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i>	Pass Through Entity Number	Federal CFDA Number	Disburse- ments
Program Title			
<b>UNITED STATES DEPARTMENT OF LABOR</b>			
<i>Passed Through Workforce Investment Act, Area 7</i>			
<u>Workforce Investment Act (WIA) Cluster:</u>			
Workforce Investment Act - Adult Program (PY 04)	n/a	17.258	2,097
Workforce Investment Act - Adult Program (FY 05)			50,694
Workforce Investment Act - Adult Program (PY 05)			27,522
Workforce Investment Act - Adult Program (FY 06)			92,287
Workforce Investment Act - Adult - Administrative (FY 06)			10,682
Workforce Investment Act - Adult Program (PY 06)			29,471
Workforce Investment Act - Adult - Administrative (PY 06)			8,578
Workforce Investment Act - Adult Program (FY 07)			99,290
Total Workforce Investment Act - Adult			320,621
Workforce Investment Act - Youth Program (PY 04)	n/a	17.259	3,459
Workforce Investment Act - Youth Program (PY 05)			97,286
Workforce Investment Act - Youth - Administrative (PY 05)			1,601
Workforce Investment Act - Youth Program (PY 06)			129,150
Total Workforce Investment Act - Youth			231,496
Workforce Investment Act - Dislocated Worker (PY 04)	n/a	17.260	1,274
Workforce Investment Act - Dislocated Worker (FY 05)			10,569
Workforce Investment Act - Dislocated - Administrative (FY 05)			1,083
Workforce Investment Act - Dislocated Worker (PY 05)			19,551
Workforce Investment Act - Dislocated - Administrative (PY 05)			399
Workforce Investment Act - Dislocated Worker (FY 06)			53,154
Workforce Investment Act - Dislocated - Administrative (FY 06)			3,851
Workforce Investment Act - Dislocated Worker (PY 06)			73,931
Workforce Investment Act - Dislocated Worker (FY 07)			15,940
Total Workforce Investment Act - Dislocated Worker			179,752
<i>Total WIA Cluster</i>			731,869
Total Department of Labor			<b>731,869</b>
<b>UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
<i>Passed Through Ohio Department of Development</i>			
Community Development Block Grants	B-C-04-057-1	14.228	52,333
	B-F-04-057-1		46,791
	B-E-04-057-1		152,216
	B-F-05-057-1		162,419
	B-F-06-057-1		75,986
<i>Total Community Development Block Grants</i>			489,745
Home Investment Partnerships Program	B-C-04-057-2	14.239	191,589
Total Department of Housing and Urban Development			<b>681,334</b>

(Continued)

**FINANCIAL CONDITION  
OTTAWA COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

<b>FEDERAL GRANTOR</b>	Pass Through	Federal	Disburse-
<i>Pass Through Grantor</i>	Entity	CFDA	ments
Program Title	Number	Number	ments
<b>FEDERAL EMERGENCY MANAGEMENT AGENCY</b>			
<i>Passed Through Ohio Department Of Public Safety</i>			
State Domestic Preparedness Equipment Support Program	SO5-SHSP5-62-0262	97.004	44,796
Homeland Security Grant Program	M467	97.067	4,186
	M420		<u>29,424</u>
<i>Total Homeland Security Grant Program</i>			<u>33,610</u>
Hazard Mitigation Grant	FEMA-DR-1453.16R-OH	97.039	192,985
Total Emergency Management Agency			<u><b>271,391</b></u>
<b>U.S. DEPARTMENT OF COMMERCE</b>			
<i>Direct Assistance</i>			
Surveys, Studies, Investigations & Special Purpose Grants	N/A	66.606	<u>926,456</u>
<b>ELECTION ASSISTANCE COMMISSION</b>			
<i>Passed Through the Ohio Secretary of State</i>			
Election Reform Payments	E06-0040-62	39.011	14,644
Help America Vote Act Requirement Payments	E06-0040-62	90.401	<u>406,158</u>
Total Election Assistance Commission			<u><b>420,802</b></u>
<b>TOTAL FEDERAL AWARDS EXPENDITURES</b>			<u><b>\$ 4,374,717</b></u>

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, 2006**

**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 – SUBRECIPIENTS**

The County passes-through certain Federal assistance received from Workforce Investment Act, Area 7, to other governments or not-for-profit agencies (subrecipients). As described in Note A, the County records expenditures of Federal awards to subrecipients when paid in cash.

The subrecipient agencies have certain compliance responsibilities related to administering these Federal Programs. Under Federal Circular A-133, the County is responsible for monitoring subrecipients to help assure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements, and that performance goals are achieved.

**NOTE C – 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 \$485,637.

**NOTE D – 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.

**FINANCIAL CONDITION  
OTTAWA COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**NOTE E – HOMELAND SECURITY CLUSTER**

The County reported the following federal programs for the Homeland Security Cluster on the Schedule of Federal Awards. Several programs for federal fiscal year 2005 were incorporated into the Homeland Security Grant Program (97.067) in accordance with guidance from the U.S. Department of Homeland Security.

<u>CFDA#</u>	<u>Program</u>	<u>Amount</u>
97.073	State Homeland Security Program	\$4,186
97.042	Emergency Management Performance Grants	29,424
<b>97.067</b>	<b>Homeland Security Grant Program</b>	<u><u>\$33,610</u></u>



# Mary Taylor, CPA

Auditor of State

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

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, 2006, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 20, 2007. 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 as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the County's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the County's internal control over financial reporting.

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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We noted certain matters that we reported to the County's management in a separate letter dated December 20, 2007.

### **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*.

We did note certain noncompliance that we reported to the County's management in a separate letter dated December 20, 2007.

We intend this report solely for the information and use of management, the Board of County Commissioners, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

December 20, 2007





# Mary Taylor, CPA

Auditor of State

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

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, 2006. 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, 2006.

### Internal Control Over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that the County's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the County's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. 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 20, 2007.

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.



**Mary Taylor, CPA**  
Auditor of State

December 20, 2007

**FINANCIAL CONDITION  
OTTAWA COUNTY**

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

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control 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 weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control 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):	Workforce Investment Act (WIA) Cluster – CFDA 17.258, 17.259, 17.260; Formula Grants for Other than Urbanized Areas – CFDA 20.509; Help America Vote Act – CFDA 90.401
<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?	Yes

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

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.





**Mary Taylor, CPA**  
Auditor of State

**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 15, 2008**