



**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2006



Mary Taylor, CPA
Auditor of State

VILLAGE OF OTTAWA HILLS
LUCAS COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets – Cash Basis.....	10
Statement of Activities – Cash Basis.....	11
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances.....	12
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances.....	13
Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis – General Fund.....	14
Notes to the Basic Financial Statements.....	15
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By <i>Government Auditing Standards</i>	29

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Ottawa Hills
Lucas County
2125 Richards Road
Toledo, Ohio 43606

To the Honorable Mayor and Village Council:

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

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

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Ottawa Hills, Lucas County, Ohio, as of December 31, 2006, and the respective changes in cash financial position and the budgetary comparison for the General Fund for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2008, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Mary Taylor, CPA
Auditor of State

September 17, 2008

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

This discussion and analysis of the Village of Ottawa Hills's (the Village) financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2006, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2006 are as follows:

- Net assets of governmental activities remained essentially the same, increasing \$134,863, or
- 1 percent over the prior year.
- The Village's general receipts are primarily income and property taxes. These receipts represent 55.9 and 10.5 percent respectively of the total cash received for governmental activities during the year. Income tax receipts increased 14.4 percent over 2005, reflecting some improvement in the economy. Property taxes were basically unchanged as the Village is nearly built-out. While estate taxes are sometimes a significant source of revenue for the Village, 2006 receipts were \$365,037 or only 5.9 percent of general receipts.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's cash basis of accounting.

Report Components

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

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

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

Basis of Accounting

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

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

Reporting the Village as a Whole

The statement of net assets and the statement of activities reflect how the Village did financially during 2006, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Village at year end. The Village has no business-type activities. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Village's general receipts.

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

In the statement of net assets and the statement of activities, all of the Village transactions are categorized as Governmental activities:

Governmental activities - Basic government services, including police, fire, streets and parks are reported here. Income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Village's Most Significant Funds

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

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

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

The Village as a Whole

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

(Table 1)
Net Assets

	Governmental Activities	
	2006	2005
Assets		
Cash and Cash Equivalents	\$ 14,315,502	\$ 14,180,639
Net Assets		
Restricted for:		
Capital Projects	7,649,185	5,878,815
Other Purposes	1,535,620	1,364,679
Unrestricted	5,130,697	6,937,145
Total Net Assets	\$ 14,315,502	\$ 14,180,639

As mentioned previous, net assets of governmental activities increased \$134,863, or 1 percent during 2006. More assets are restricted for capital purposes in 2006 as described below:

- Funds were transferred from the General Fund to the Capital Grants Fund to fund a two-year road construction project involving Indian, Talmadge, Hardale and Secor Roads. This is a joint project involving the City of Toledo with the Village as the lead agency. The total cost for the 2-year (2006-07) project exceeds \$1,900,000 with \$377,000 paid by the City of Toledo and approximately \$587,000 covered by a state grant.

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

Table 2 reflects the changes in net assets for the year ended December 31, 2006 compared to 2005.

(Table 2)
Changes in Net Assets

	Governmental Activities		
	2006	2005	Change
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$ 162,134	\$ 164,693	\$ (2,559)
Operating Grants and Contributions	337,981	249,955	88,026
Capital Grants and Contributions	359,535	180,307	179,228
Total Program Receipts	859,650	594,955	264,695
General Receipts:			
Property Taxes	646,501	641,505	4,996
Income Taxes	3,454,333	3,018,230	436,103
Other Taxes	28,591	26,755	1,836
Grants and Entitlements Not Restricted to Specific Programs	645,323	526,698	118,625
Interest	490,674	449,858	40,816
Miscellaneous	52,912	80,002	(27,090)
Total General Receipts	5,318,334	4,743,048	575,286
Total Receipts	6,177,984	5,338,003	839,981
Disbursements:			
General Government	736,158	654,712	81,446
Security of Persons and Property:	2,760,499	2,498,812	261,687
Public Health Services	28,963	28,157	806
Leisure Time Activities	302,107	301,039	1,068
Basic Utilities	427,129	411,597	15,532
Transportation	374,484	474,224	(99,740)
Capital Outlay	1,233,822	1,207,568	26,254
Debt Service	179,959	138,458	41,501
Total Disbursements	6,043,121	5,714,567	328,554
Change in Net Assets	134,863	(376,564)	511,427
Net Assets Beginning of Year	14,180,639	14,557,203	(376,564)
Net Assets End of Year	\$ 14,315,502	\$ 14,180,639	\$ 134,863

Program receipts represent only 13.9 percent of total receipts in 2006 and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, recreation program fees and federal and state grants.

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

General receipts represent 86.1 percent of the Village's total receipts for 2006, and of this amount, 77.3 percent are local income and property taxes. State and federal grants and entitlements, other taxes, and interest make up the balance of the Village's general receipts (22.7 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of Council, and the manager, finance, and income tax departments, as well as internal services such as payroll and purchasing.

Security of Persons and Property are the costs for full-time police and fire, and other related security expenses. Public Health Services is the health department; Leisure Time Activities are the costs of maintaining the parks and the recreation program; Basic Utility Services include refuse, recycling and sewer expenses; and Transportation is the operating cost of maintaining the roads. Capital outlay includes expenditures for road reconstruction projects. Debt Service includes interest expense on 5-year notes and principal payments on no-interest road construction loans from the state.

Governmental Activities

On the Statement of Activities on page 9, the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for security of persons and property and capital outlay, which account for 45.7 and 20.4 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 12.2 percent. The next three columns of the Statement, entitled Program Cash Receipts, identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

	Governmental Activities			
	Total Cost Of Services 2006	Net Cost of Services 2006	Total Cost Of Services 2005	Net Cost of Services 2005
	General Government	\$736,158	\$704,944	\$654,712
Security of Persons and Property	2,760,499	2,552,542	2,498,812	2,365,724
Public Health Services	28,963	28,963	28,157	28,157
Leisure Time Activities	302,107	231,391	301,039	226,006
Basic Utilities	427,129	403,972	411,597	388,687
Transportation	374,484	175,558	474,224	293,348
Capital Outlay	1,233,822	906,142	1,207,568	1,057,103
Debt Service	179,959	179,959	138,458	138,458
Total Expenses	\$6,043,121	\$5,183,471	\$5,714,567	\$5,119,612

The dependence upon property and income tax receipts is apparent as over 85.8 percent of governmental activities are supported through general receipts in 2006.

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

The Village's Funds

Total governmental funds had receipts of \$6,177,984 and disbursements of \$6,043,121. The General Fund balance decreased \$1,806,448 due to the transfer of funds to the Capital Grants Fund to finance capital road projects. Before transfers the General Fund had an excess of receipts over disbursements of \$1,421,522 due to increased income tax revenues. The Capital Grants Fund increased \$1,409,522 due to transferred funds, in anticipation of future road reconstruction costs. The Capital Financed Fund balance decreased \$364,151 due to improvements of recreation facilities at Geresy Field and near the Village elementary school. The Capital Reserve Fund increased \$696,470 due to transferred funds. This fund was adjusted to reflect five years of anticipated capital expenditures.

General Fund Budgeting Highlights

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

During 2006, the Village amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were slightly below original budgeted receipts due to lower than expected estate tax collections and miscellaneous revenues. Actual receipts exceeded final budgeted receipts due to higher than expected growth in income tax receipts.

Final disbursements in the General Fund were budgeted at \$7,690,070 (including \$3,227,970 in transfers), while actual disbursements, including encumbrances at year end, were \$7,345,309, or 4.5 percent below budgeted amounts.

Capital Assets and Debt Administration

Capital Assets

The Village does not currently reflect the value of its capital assets and infrastructure in the financial statements. The Village uses other methods, including inventories of equipment, roads and street trees to insure responsible management of municipal assets.

Debt

At December 31, 2006, the Village's outstanding debt included \$4,000,000 in 5-year general obligation notes issued for improvements to Village roads, and \$562,305 in 10-year, interest-free loans from the Ohio Public Works Commission, which were used for a variety of Village road projects. For further information regarding the Village's debt, refer to Note 10 to the basic financial statements.

Current Issues

The challenge for all local governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and are primarily a residential municipality with limited room for growth. Significant revenue issues include proposed changes to the state estate tax. Estate tax has historically provided a strong balance for the Village which has been used to fund our capital expenditures, maintaining our infrastructure at a superior level. Other state funding sources, while a small percentage of revenues, are under threat as the State of Ohio struggles with budget issues.

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Karen Urbanik, Finance Director, or Katherine O'Connell, Clerk/Treasurer, Village of Ottawa Hills, 2125 Richards Road, Toledo, Ohio 43606.

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 14,315,502</u>
 Net Assets	
Restricted for:	
Capital Projects	\$7,649,185
Other Purposes	1,535,620
Unrestricted	<u>5,130,697</u>
 <i>Total Net Assets</i>	 <u>\$ 14,315,502</u>

See accompanying notes to the basic financial statements

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets
Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	
Governmental Activities					
General Government	\$ 736,158	\$ 31,214			\$ (704,944)
Security of Persons and Property	2,760,499	45,837	\$ 130,265	\$ 31,855	(2,552,542)
Public Health Services	28,963				(28,963)
Leisure Time Activities	302,107	61,926	8,790		(231,391)
Basic Utility Services	427,129	23,157			(403,972)
Transportation	374,484		198,926		(175,558)
Capital Outlay	1,233,822			327,680	(906,142)
Debt Service	179,959				(179,959)
Total Governmental Activities	\$ 6,043,121	\$ 162,134	\$ 337,981	\$ 359,535	(5,183,471)
		General Receipts			
		Property Taxes Levied for:			
		General Purposes		551,975	
		Police Pension		47,263	
		Fire Pension		47,263	
		Municipal Income Taxes		3,454,333	
		Other Taxes		28,591	
		Grants and Entitlements not Restricted to Specific Programs		645,323	
		Interest		490,674	
		Miscellaneous		52,912	
		Total General Receipts		5,318,334	
		Change in Net Assets			134,863
		Net Assets Beginning of Year			14,180,639
		Net Assets End of Year			\$ 14,315,502

See accompanying notes to the basic financial statements

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

	<u>General</u>	<u>Capital Grants Fund</u>	<u>Capital Financed Fund</u>	<u>Capital Reserve Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets						
Equity in Pooled Cash and Cash Equivalents	\$ 5,130,697	\$ 2,716,965	\$ 824,283	\$ 3,969,000	\$ 1,674,557	\$ 14,315,502
Fund Balances						
Reserved:						
Reserved for Encumbrances	\$ 161,798	\$ 2,382,479	\$ 494,849		\$ 100,087	\$ 3,139,213
Unreserved:						
Undesignated, Reported in:						
General Fund	4,968,899					4,968,899
Special Revenue Funds					1,458,218	1,458,218
Capital Projects Funds		334,486	329,434	\$ 3,969,000	116,252	4,749,172
Total Fund Balances	<u>\$ 5,130,697</u>	<u>\$ 2,716,965</u>	<u>\$ 824,283</u>	<u>\$ 3,969,000</u>	<u>\$ 1,674,557</u>	<u>\$ 14,315,502</u>

See accompanying notes to the basic financial statements

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

	General	Capital Grants Fund	Capital Financed Fund	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
Receipts						
Municipal Income Taxes	\$ 3,454,333					\$ 3,454,333
Property and Other Local Taxes	551,975				\$ 94,526	646,501
Special Assessments					48,479	48,479
Charges for Services	57,931					57,931
Fines, Licenses and Permits	59,805				85,210	145,015
Intergovernmental	669,594	\$ 327,680			211,876	1,209,150
Interest	461,447		\$ 10,000		19,227	490,674
Miscellaneous	121,978				3,923	125,901
<i>Total Receipts</i>	<u>5,377,063</u>	<u>327,680</u>	<u>10,000</u>		<u>463,241</u>	<u>6,177,984</u>
Disbursements						
Current:						
General Government	736,158					736,158
Security of Persons and Property	2,402,361				358,138	2,760,499
Public Health Services	28,963					28,963
Leisure Time Activities	243,677				58,430	302,107
Basic Utility Services	292,461				134,668	427,129
Transportation	251,921				122,563	374,484
Capital Outlay		948,199	\$264,151		21,472	1,233,822
Debt Service:						
Principal Retirement		69,959				69,959
Interest and Fiscal Charges			110,000			110,000
<i>Total Disbursements</i>	<u>3,955,541</u>	<u>1,018,158</u>	<u>374,151</u>		<u>695,271</u>	<u>6,043,121</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,421,522</u>	<u>(690,478)</u>	<u>(364,151)</u>		<u>(232,030)</u>	<u>134,863</u>
Other Financing Sources (Uses)						
Transfers In		2,100,000		\$ 696,470	431,500	3,227,970
Transfers Out	(3,227,970)					(3,227,970)
<i>Total Other Financing Sources (Uses)</i>	<u>(3,227,970)</u>	<u>2,100,000</u>		<u>696,470</u>	<u>431,500</u>	
<i>Net Change in Fund Balances</i>	(1,806,448)	1,409,522	(364,151)	696,470	199,470	134,863
<i>Fund Balances Beginning of Year</i>	<u>6,937,145</u>	<u>1,307,443</u>	<u>1,188,434</u>	<u>3,272,530</u>	<u>1,475,087</u>	<u>14,180,639</u>
<i>Fund Balances End of Year</i>	<u>\$ 5,130,697</u>	<u>\$ 2,716,965</u>	<u>\$ 824,283</u>	<u>\$ 3,969,000</u>	<u>\$ 1,674,557</u>	<u>\$ 14,315,502</u>

See accompanying notes to the basic financial statements

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Municipal Income Taxes	\$ 2,841,000	\$ 2,841,000	\$ 3,454,333	\$ 613,333
Property and Other Local Taxes	547,000	547,000	551,975	4,975
Charges for Services	55,300	55,300	57,931	2,631
Fines, Licenses and Permits	54,000	54,000	59,805	5,805
Intergovernmental	677,300	660,000	669,594	9,594
Interest	410,000	410,000	461,447	51,447
Miscellaneous	160,500	107,700	121,978	14,278
<i>Total receipts</i>	<u>4,745,100</u>	<u>4,675,000</u>	<u>5,377,063</u>	<u>702,063</u>
Disbursements				
Current:				
General Government	867,609	903,109	778,358	124,751
Security of Persons and Property	2,473,960	2,538,360	2,447,925	90,435
Public Health Services	36,000	29,000	28,963	37
Leisure Time Activities	297,803	267,803	251,093	16,710
Basic Utility Services	337,380	365,880	320,090	45,790
Transportation	368,948	357,948	290,910	67,038
<i>Total Disbursements</i>	<u>4,381,700</u>	<u>4,462,100</u>	<u>4,117,339</u>	<u>344,761</u>
<i>Excess of Receipts Over Disbursements</i>	<u>363,400</u>	<u>212,900</u>	<u>1,259,724</u>	<u>1,046,824</u>
Other Financing Uses				
Transfers Out	(3,227,970)	(3,227,970)	(3,227,970)	
<i>Net Change in Fund Balance</i>	(2,864,570)	(3,015,070)	(1,968,246)	1,046,824
<i>Fund Balance Beginning of Year</i>	6,838,416	6,838,416	6,838,416	
Prior Year Encumbrances Appropriated	98,729	98,729	98,729	
<i>Fund Balance End of Year</i>	<u>\$ 4,072,575</u>	<u>\$ 3,922,075</u>	<u>\$ 4,968,899</u>	<u>\$ 1,046,824</u>

See accompanying notes to the basic financial statements

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

NOTE 1 – REPORTING ENTITY

The Village of Ottawa Hills, Lucas County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a six-member Council elected at large for four year terms. The Mayor is elected to a four-year term, serves as the President of Council and votes only to break a tie.

The reporting entity is comprised of the primary government. There are no component units or other organizations that are required to be included in the financial statements.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, maintenance of Village roads and bridges, park operations, and police and fire services.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989. Following are the more significant of the Village's accounting policies.

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the Village as a whole. The Village does not have any business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

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

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Village's major governmental funds are the General Fund, Capital Grants Fund, Capital Financed Fund and the Capital Reserve Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio. The Capital Grants Fund accounts for road construction projects involving grants from the State of Ohio. The grant funds are restricted to their particular project. Additional monies are transferred to this fund as needed from the General fund.

The Capital Financed Fund was established to account for monies from the issuance of 5-year notes to be used for street lighting and other capital projects. The Capital Reserve Fund is set up with money that is set aside to show the intent of the Village to fund future capital projects over the next 5 years. The other governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose.

C. Basis of Accounting

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

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

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

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

D. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the certificate of estimated resources, and the appropriations ordinance, both of which are prepared on the budgetary basis of accounting. Lucas County no longer requires submission of a tax budget to the County Budget Commission. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund, department, and category level, i.e. personal services, operating and maintenance, and capital categories, for all funds.

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

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

E. Cash and Investments

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

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

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

During 2006, the Village invested in U.S. Agency Instruments, money market funds, and STAR Ohio. The U.S. Agency Instruments are reported at cost. The Village's money market fund investments are recorded at the amount reported by each institution at December 31, 2006.

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

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

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2006.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2006 was \$461,447 which includes \$294,313 assigned from other Village funds.

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation.

G. Inventory and Prepaid Items

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

H. Capital Assets

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

I. Accumulated Leave

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

J. Employer Contributions to Cost-Sharing Pension Plans

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

K. Long-Term Obligations

The Village's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

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

L. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include \$390,477 for Street Construction, \$58,247 for State Highway Improvement, \$330,700 set aside by Council for a Termination Benefit Reserve, \$132,745 for Street Lights, \$135,098 for Shade Trees, \$112,481 for Law Enforcement, \$36,770 for Drug Enforcement, \$1,275 for Employee Education, \$246,494 for Recycling, \$40,302 for Police Pension and \$51,031 for Firemen's Pension.

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

M. Fund Balance Reserves

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

N. Interfund Transactions

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

NOTE 3 – BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$161,798 for the General Fund.

NOTE 4 – DEPOSITS AND INVESTMENTS

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

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

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

NOTE 4 – DEPOSITS AND INVESTMENTS – (CONTINUED)

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

The Village has adopted an investment policy which is more restrictive than provided for under the Uniform Depository Act, Ohio Revised Code Section 135. This policy has been filed with the State Auditor and annual training is completed as required. Interim monies held by the Village can be deposited or invested in the following securities according to this policy:

It is the intention of the Village of Ottawa Hills to invest Village funds in a manner that:

1. Preserves principal;
2. Insures security of funds; and
3. Maximizes return.

To accomplish these goals the Village Council adopted the following policies that comply with the Uniform Depository Act, Ohio Revised Code Section 135.

Authorized Investments: Collateralized Certificates of Deposit;
Repurchase Agreements – agreements with banks to purchase a Security from the bank and resell it to the bank to produce a stated interest rate (securities must be legal investments under the ORC Section 135);
U.S. Treasuries;
U.S. Agencies (excluding derivatives);
STAR Ohio.

Terms of Investments: Maximum of five (5) years

Diversification: May not exceed 50% of invested funds in STAR Ohio;
May not exceed 40% of invested funds in any one bank.

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

Deposits

At year end, the Village had \$200 in undeposited cash on hand which is included as part of “Equity in Pooled Cash and Cash Equivalents”.

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

NOTE 4 – DEPOSITS AND INVESTMENTS – (CONTINUED)

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$617,160 of the Village's bank balance of \$759,520 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

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

Investments

As of December 31, 2006, the Village had the following investments:

	<u>Amount</u>	<u>Maturity</u>
Federal Nat'l Mort. Assoc. Securities (FNMA)	\$ 996,000	4/23/2007
	1,000,000	8/23/2007
	2,009,217	9/14/2007
	250,222	12/7/2007
	503,422	10/3/2008
	352,492	3/27/2009
	500,000	12/9/2009
	<u>5,611,353</u>	
Federal Home Loan Bank Securities (FHLB)	653,701	5/10/2007
	800,000	7/14/2008
	400,000	10/14/2008
	1,029,972	12/23/2008
	342,393	12/26/2008
	500,838	4/28/2009
	900,000	11/30/2010
	<u>4,626,904</u>	
Federal Home Loan Mort. Securities (FHLMC)	495,500	7/23/2007
	741,069	2/25/2008
	255,382	4/15/2008
	<u>1,491,951</u>	
Federal Farm Credit Bank (FFCB)	750,000	7/10/2008
	764,025	8/18/2008
	509,243	8/18/2008
	<u>2,023,268</u>	
STAR Ohio	<u>43,157</u>	35 days
	<u><u>\$13,796,633</u></u>	

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

NOTE 4 – DEPOSITS AND INVESTMENTS – (CONTINUED)

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Village's investment policy addresses interest rate risk by requiring that the Village's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

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

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The U.S. Agency Securities are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the Village's name. The Village has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

NOTE 5 – INCOME TAXES

The Village levies a 1.5 percent income tax whose proceeds are placed into the General Fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. When the taxable income of a resident is subject to income tax in another municipality on the same income taxable under this ordinance, the resident is allowed a credit of the amount of income tax paid on such taxable income to such other municipality, equal to fifty percent (50%) of the amount obtained by multiplying the lower of the tax rate of such other municipality or of this municipality (1.5%) by the taxable income earned in or attributable to the municipality of employment or business activity. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

NOTE 6 – PROPERTY TAXES

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

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

NOTE 6 – PROPERTY TAXES – (CONTINUED)

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

Tangible personal property tax receipts received in 2006 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2006 were levied after October 1, 2005, on the true value as of December 31, 2005. Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory is 18.75 percent for 2006. This percentage will be reduced to 12.5% 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, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Village operations for the year ended December 31, 2006, was \$4.10 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:

Real Property	
Residential & Agriculture	\$172,714,260
Commercial/Industrial/Mineral	3,701,990
Public Utility Property	
Personal	1,548,830
Tangible Personal Property	177,860
Total Assessed Value	<u><u>\$178,142,940</u></u>

NOTE 7 – RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Wrongful acts;
- Law Enforcement;
- Vehicles;
- Errors and omissions
- Inland Marine;
- Electronic Data Processing; and
- Boiler and Machinery.

The Village also provides health insurance to full-time employees through a private carrier. A cafeteria (Section 125) plan is available to eligible employees. Dental insurance is made available on a voluntary basis through a private carrier.

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

NOTE 8 – DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2006, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 9 percent of their annual covered salaries. The Village's contribution rate for pension benefits for 2006 was 13.70 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004, were \$140,243, \$131,986, and \$136,267 respectively. 95.9 percent has been contributed for 2006 and 100 percent for 2005 and 2004.

B. Ohio Police and Fire Pension Fund

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the Village is required to contribute 19.5 percent for police officers and 24 percent for firefighters. Contributions are authorized by State statute. The Village's required contributions to the Fund for the years ended December 31, 2006, 2005, and 2004, were \$274,802, \$259,678, and \$249,816. 78 percent has been contributed for 2006 and 100 percent for 2005 and 2004.

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

NOTE 8 – DEFINED BENEFIT PENSION PLANS – (CONTINUED)

C. Social Security Administration

Part-time firefighters contribute to Social Security because they are not allowed to participate in OPERS or OP&F. This plan provides retirement benefits, including survivor and disability benefits to participants. For 2006, 2005, and 2004, these employees contributed 6.2% of their gross salaries. The Village contributed an amount equal to 6.2% of participant's gross salaries. The Village's required contributions to Social Security for the years ended December 31, 2006, 2005, and 2004, were \$5,103, \$5,059, and \$5,117. The full amount has been contributed for 2006, 2005, and 2004.

NOTE 9 - POST EMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability benefit recipients and qualified survivor benefit 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 Post employment Benefit as described in *GASB Statement No. 12*. 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 percent of covered payroll; 4.5 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.5 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .5 to 6 percent annually for the next nine years and 4 percent annually after nine years.

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

The number of active contributing participants in the traditional and combined plans was 369,214. Actual Village contributions for 2006 which were used to fund post employment benefits were \$50,033. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS's net assets available for payment of benefits at December 31, 2006, (the latest information available) was \$12 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

NOTE 9 - POST EMPLOYMENT BENEFITS – (CONTINUED)

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 funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

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

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the post employment health care program during 2005 and 2006. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The Village's actual contributions for 2006 that were used to fund post employment health care benefits were \$57,734 for police and \$44,832 for fire. The OP&F's total health care expense for the year ended December 31, 2005, (the latest information available) was \$108,039,449, which was net of member contributions of \$55,271,881. The number of OP&F participants eligible to receive health care benefits as of December 31, 2005, was 13,922 for police and 10,537 for firefighters

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

NOTE 10 – DEBT

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

	Interest Rate	Balance December 31, 2005	Additions	Reductions	Balance December 31, 2006	Due Within One Year
<u>Governmental Activities</u>						
General Obligation Bond Anticipation Notes- 2002 Original Amount \$4,000,000	2.75%	\$4,000,000			\$4,000,000	\$4,000,000
2002 OPWC Loan Original Amount \$123,223	0%	80,096		\$12,322	67,774	12,322
2004 OPWC Loan Original Amount \$161,358	0%	137,154		16,136	121,018	16,136
2005 OPWC Loan Original Amount \$415,014	0%	415,014		41,501	373,513	41,501
Total		\$4,632,264		\$69,959	\$4,562,305	\$4,069,959

The 5-year General Obligation Bond Anticipation Notes were issued for the purpose of bridge and roadway repair/replacement, sidewalk and curb repair/replacement. The Village will make interest-only payments on the notes until they are retired in September 2007, at which time the principal will be paid in full. The notes are collateralized by the full faith and credit of the Village.

The Ohio Public Works Commission (OPWC) 2002 loan related to a resurfacing of several roads in a joint project with Lucas County. The Village's portion of the 2002 OPWC loan is \$123,222. The loan will be repaid in semi-annual installments of \$6,161, principal only payments, over 10 years.

The OPWC 2004 loan related to a road repair/replacement project involving several roads in a joint project with the City of Toledo. The total amount of the loan is \$161,358, with \$60,500 of the loan relating to the City of Toledo's portion of the project. The loan will be repaid in semi-annual installments of \$8,068, principal only payments, over 10 years. The City of Toledo will be billed \$3,025 semi-annually for their portion of the loan.

The OPWC 2005 loan relates to a resurfacing/repair project of several roads in a joint project with the City of Toledo. The total amount of the loan is \$415,014, with \$195,056 of the loan relating to the City of Toledo's portion of the project. The loan will be repaid in semi-annual installments of \$20,751, principal only payments, over 10 years. The City of Toledo will be billed \$9,753 semi-annually for their portion of the loan.

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

NOTE 10 – DEBT (CONTINUED)

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

Debt Service Requirements Year ending December 31:	General Obligation Notes		OPWC Loans
	Principal	Interest	Principal
2007	\$ 4,000,000	\$ 110,000	\$ 69,959
2008			69,960
2009			69,960
2010			69,960
2011			69,960
2012-2016			212,506
Total	<u>\$ 4,000,000</u>	<u>\$ 110,000</u>	<u>\$ 562,305</u>

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2005, were an overall debt margin of \$14,021,490 and an unvoted debt margin of \$5,134,908.

NOTE 11 – INTERFUND TRANSFERS

During 2006 the following transfers were made:

Transfers from the General Fund to:	
Capital Grants Fund	\$2,100,000
Capital Reserve Fund	696,470
Other Governmental Funds	431,500
Total Transfers from the General Fund	<u>\$3,227,970</u>

Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 12 – CONSTRUCTION AND CONTRACTUAL COMMITMENTS

As of December 31, 2006 the Village had contracted with B. & J. Concrete and Construction of Toledo to complete a two-year road construction project. The original contract totaled \$1,858,900, with \$1,304,000 encumbered at year end for work to be completed in 2007.



Mary Taylor, CPA
Auditor of State

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

Village of Ottawa Hills
Lucas County
2125 Richards Road
Toledo, Ohio 43606

To the Honorable Mayor and Village Council:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Ottawa Hills, Lucas County, (the Village) as of and for the year ended December 31, 2006, which collectively comprise the Village's basic financial statements and have issued our report thereon dated September 17, 2008, wherein, we noted the Village uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Our consideration of the internal control over financial reporting 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 and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the Village's management in a separate letter dated September 17, 2008.

Compliance and Other Matters

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

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



Mary Taylor, CPA
Auditor of State

September 17, 2008



Mary Taylor, CPA
Auditor of State

VILLAGE OF OTTAWA HILLS

LUCAS 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
NOVEMBER 6, 2008