



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF OTTAWA HILLS
LUCAS COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Ottawa Hills
Lucas County
2125 Richards Road, Suite 1
Toledo, Ohio 43606-2599

To the Village Council:

We have audited the accompanying financial statements of the Village of Ottawa Hills (the Village) as of and for the years ended December 31, 2001 and 2000. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2002 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

Jim Petro
Auditor of State

July 29, 2002

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
Cash Receipts:					
Property Tax and Other Local Taxes	\$508,600			\$2,880,789	\$3,389,389
Special Assessments		\$46,990			46,990
Intergovernmental Receipts	1,713,233	110,106	\$29,941	12,106	1,865,386
Charges for Services	55,557				55,557
Fines, Licenses, and Permits	51,790	5,041			56,831
Earnings on Investments	635,289	26,471	17,613		679,373
Miscellaneous		850		122	972
Total Cash Receipts	2,964,469	189,458	47,554	2,893,017	6,094,498
Cash Disbursements:					
Current:					
Security of Persons and Property	1,913,319	34,238		242,140	2,189,697
Public Health Services	32,510				32,510
Leisure Time Activities	191,691	64,546			256,237
Basic Utility Services	310,244	233,522			543,766
Transportation	335,258	153,652	43,638		532,548
General Government	464,885	3,700	47	70,203	538,835
Debt Service:					
Interest Payments			211,500		211,500
Capital Outlay	77,131	8,609	1,086,159	1,143	1,173,042
Total Cash Disbursements	3,325,038	498,267	1,341,344	313,486	5,478,135
Total Receipts Over/(Under) Disbursements	(360,569)	(308,809)	(1,293,790)	2,579,531	616,363
Other Financing Receipts and (Disbursements):					
Sale of Fixed Assets	14,478				14,478
Transfers-In	1,500,000	230,000	580,000	130,000	2,440,000
Transfers-Out				(2,440,000)	(2,440,000)
Other Sources	204,516	6,253	10,000		220,769
Other Uses	(1,012)			(76,969)	(77,981)
Total Other Financing Receipts/(Disbursements)	1,717,982	236,253	590,000	(2,386,969)	157,266
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	1,357,413	(72,556)	(703,790)	192,562	773,629
Fund Cash Balances, January 1	436,259	1,118,662	5,101,282	6,019,859	12,676,062
Fund Cash Balances, December 31	\$1,793,672	\$1,046,106	\$4,397,492	\$6,212,421	\$13,449,691
Reserves for Encumbrances, December 31	\$118,042	\$49,927	\$248,086	\$6,461	\$422,516

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
Cash Receipts:					
Property Tax and Other Local Taxes	\$441,631			\$2,751,488	\$3,193,119
Special Assessments		\$48,413			48,413
Intergovernmental Receipts	1,217,815	96,699	\$121,783	10,468	1,446,765
Charges for Services	60,297				60,297
Fines, Licenses, and Permits	51,398	4,825			56,223
Earnings on Investments	642,093	15,346	48,156		705,595
Miscellaneous		435		14	449
Total Cash Receipts	2,413,234	165,718	169,939	2,761,970	5,510,861
Cash Disbursements:					
Current:					
Security of Persons and Property	1,739,915	24,333		208,684	1,972,932
Public Health Services	31,960				31,960
Leisure Time Activities	171,359	54,263			225,622
Basic Utility Services	335,344	205,399			540,743
Transportation	329,322	153,091	39,782		522,195
General Government	427,774	4,750	7,446	60,052	500,022
Debt Service:					
Interest Payments			193,875		193,875
Capital Outlay	99,271	5,343	615,772	538	720,924
Total Cash Disbursements	3,134,945	447,179	856,875	269,274	4,708,273
Total Receipts Over/(Under) Disbursements	(721,711)	(281,461)	(686,936)	2,492,696	802,588
Other Financing Receipts and (Disbursements):					
Sale of Fixed Assets	17,457				17,457
Transfers-In	500,000	180,000		130,000	810,000
Transfers-Out				(810,000)	(810,000)
Other Sources	56,536	13,090			69,626
Other Uses	(8,845)			(57,165)	(66,010)
Total Other Financing Receipts/(Disbursements)	565,148	193,090		(737,165)	21,073
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(156,563)	(88,371)	(686,936)	1,755,531	823,661
Fund Cash Balances, January 1	592,822	1,207,033	5,788,218	4,264,328	11,852,401
Fund Cash Balances, December 31	\$436,259	\$1,118,662	\$5,101,282	\$6,019,859	\$12,676,062
Reserves for Encumbrances, December 31	\$70,186	\$45,210	\$202,309	\$10,066	\$327,771

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Ottawa Hills (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including park operations (leisure time activities), police, and fire services.

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

B. Basis of Accounting

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

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

C. Cash and Investments

Certificates of deposit, repurchase agreements, and U.S. Treasury Notes are valued at cost. The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Fund

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

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

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

Recycling Fund -This fund receives transfers from the Income Tax Fund for the recycling program in the Village.

3. Capital Project Funds

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

Financed/Capital Improvement Fund - This fund receives transfers from the Income Tax Fund for various capital expenditures.

State Issue 2 Projects – This fund receives transfers from the Income Tax Fund and the Ohio Public Works Commission for road projects.

Capital Reserve – This fund receives transfers from the Income Tax Fund for the foreseen capital needs of the Village.

4. Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary funds:

Income Tax Fund – This fund receives income tax monies for the Village's use.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. Encumbrances

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

A summary of 2001 and 2000 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused vacation and sick leave. Unpaid vacation and sick leave are not reflected as a liability under the Village's basis of accounting. The Village has established a termination of benefit fund, for payment of estimated termination benefits. As of December 31, 2001, the cash fund balance of the termination of benefit fund was \$309,200.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2001	2000
Cash on Hand	\$200	\$200
Demand deposits	(\$387,547)	156,428
Certificates of deposit	1,935,582	3,480,484
Total deposits	1,548,235	3,637,112
U.S. Treasury Notes	10,842,461	7,758,284
STAR Ohio	313,104	853,011
Repurchase agreement	745,891	427,655
Total investments	11,901,456	9,038,950
Total deposits and investments	\$13,449,691	\$12,676,062

Excess demand deposits are invested in an overnight repurchase agreement. The demand deposit overdraft as of December 31, 2001, represents the difference between outstanding checks and the demand deposit balance.

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

Investments: U.S. Treasury Notes are held in book-entry form by the Federal Reserve, in the name of the Village's financial institution. The financial institution maintains records identifying the Village as owner of these securities. Investments subject to repurchase agreements are held by

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

the Village's financial institution, but not in the Village's name. Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$4,600,000	\$4,683,463	\$83,463
Special Revenue	406,300	425,711	19,411
Capital Projects	636,000	637,554	1,554
Fiduciary	2,829,000	3,023,017	194,017
Total	<u>\$8,471,300</u>	<u>\$8,769,745</u>	<u>\$298,445</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,825,246	\$3,444,092	\$381,154
Special Revenue	625,960	548,194	77,766
Capital Projects	2,086,809	1,589,430	497,379
Fiduciary	2,882,604	2,836,916	45,688
Total	<u>\$9,420,619</u>	<u>\$8,418,632</u>	<u>\$1,001,987</u>

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,987,000	\$2,987,227	\$227
Special Revenue	352,900	358,808	5,908
Capital Projects	181,783	169,939	(11,844)
Fiduciary	2,781,100	2,891,970	110,870
Total	<u>\$6,302,783</u>	<u>\$6,407,944</u>	<u>\$105,161</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,575,535	\$3,213,976	\$361,559
Special Revenue	595,374	492,389	102,985
Capital Projects	1,631,787	1,059,184	572,603
Fiduciary	1,884,966	1,146,505	738,461
Total	<u>\$7,687,662</u>	<u>\$5,912,054</u>	<u>\$1,775,608</u>

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

4. PROPERTY TAX

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

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

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

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 1.5 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

6. DEBT

Debt outstanding at December 31, 2001 was as follows:

	Principal	Interest Rate
General Obligation Bond Anticipation Notes	\$4,500,000	4.70%

The Village has issued General Obligation Bond Anticipation Notes for the purpose of bridge and roadway repair/replacement, sidewalk and curb repair/replacement, and constructing and installing street lights with related facilities. The Village will make interest-only payments until October 2004 when the notes will be retired.

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

Year ending December 31:	General Obligation Notes
2002	\$211,500
2003	211,500
2004	4,711,500
Total	\$5,134,500

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

7. RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant and 24% of fire participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Village has paid all contributions required through December 31, 2001.

8. 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 and dental and vision coverage to full-time employees through a private carrier.



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

Village of Ottawa Hills
Lucas County
2125 Richards Road, Suite 1
Toledo, Ohio 43606-2599

To the Village Council:

We have audited the accompanying financial statements of the Village of Ottawa Hills (the Village) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated July 29, 2002. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

July 29, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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
AUGUST 15, 2002**