



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

OTTAWA COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Ottawa County
315 Madison Street, Suite 103
Port Clinton, Ohio 43452-1993

To the Board of County Commissioners:

We have audited the accompanying general-purpose financial statements of Ottawa County (the County) as of and for the year ended December 31, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit. We did not audit the financial statements of Riverview Industries, Inc., the County's discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for that discretely presented component unit, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Riverview Industries, Inc., discretely presented component unit were not audited in accordance with *Government Auditing Standards*. 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 audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Ottawa County, as of December 31, 2001, and the results of its operations and the cash flows of its proprietary fund types and the Riverview Industries, Inc., discretely presented component unit, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 4, the County changed the fund type classification of several funds.

As described in Note 4, during the year ended December 31, 2001, the County deleted a previously reported component unit from its financial statements and is reporting that activity as part of the primary government.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2002 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general-purpose financial statements of the County, taken as a whole. The accompanying schedule of federal awards expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

October 3, 2002

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OTTAWA COUNTY

**Combined Balance Sheet
All Fund Types, Account Groups, and Discretely Presented Component Unit
December 31, 2001**

	Governmental Fund Types				Proprietary Fund Type
	General	Special Revenue	Debt Service	Capital Projects	Enterprise
ASSETS AND OTHER DEBITS					
Assets					
Equity in Pooled Cash and Cash Equivalents	\$3,866,347	\$7,283,102	\$985,077	\$2,155,580	\$8,951,699
Cash and Cash Equivalents in Segregated Accounts	31,685	46,803			
Receivables:					
Property Taxes	2,332,113	2,315,638	177,191		532,977
Permissive Sales Taxes	693,496				
Other Local Taxes		20			
Special Assessments		20,997	32,945,446	43,308	
Accounts (net, where applicable of allowance for uncollectibles)	1,804	33,488	483		866,706
Interfund	633,299	1,229	212	1,266	17,354
Accrued Interest	4,000				
Loans	494,706	415,637			
Due from Other Funds	52,000	13,684	4,909		
Due from Other Governments	652,607	2,747,884	11,383		523,459
Materials and Supplies Inventory	115,446	209,973			482,432
Prepaid Items	37,780	20,955			28,364
Unamortized Bond Issue Costs					221,985
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents					2,023,902
Cash and Cash Equivalents with Fiscal Agents					944,874
Fixed Assets, (net, where applicable of accumulated depreciation)					127,582,660
Investment in Joint Venture					
Other Debits					
Amount Available in Debt Service Fund for Retirement of General Long Term Obligations					
Amount Available in Debt Service Fund for Retirement of Special Assessment Debt					
Amount to be Provided from General Governmental Resources					
Amount to be Provided from Special Assessments					
Total Assets and Other Debits	\$8,915,283	\$13,109,410	\$34,124,701	\$2,200,154	\$142,176,412

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only) Primary Government	Component Unit	Totals (Memorandum Only) Reporting Entity
		General Fixed Assets	General Long-Term Obligations			
Internal Service	Agency					
\$3,092	\$5,235,570			\$28,480,467		\$28,480,467
	717,913			796,401	\$204,307	1,000,708
	46,009,034			51,366,953		51,366,953
	25,009			693,496		693,496
	296,023			25,029		25,029
				33,305,774		33,305,774
2,112				904,593	89,050	993,643
	380			653,360		653,360
	14,818			4,380		4,380
	1,988,208			910,343		910,343
				85,411		85,411
				5,923,541		5,923,541
				807,851	3,524	811,375
				87,099	12,747	99,846
				221,985		221,985
				2,023,902		2,023,902
				944,874		944,874
		\$26,216,694		153,799,354	79,068	153,878,422
		422,216		422,216		422,216
			\$815,743	815,743		815,743
			166,107	166,107		166,107
			22,488,284	22,488,284		22,488,284
			6,896,252	6,896,252		6,896,252
\$5,204	\$54,286,955	\$26,638,910	\$30,366,386	\$311,823,415	\$388,696	\$312,212,111

(Continued)

OTTAWA COUNTY

**Combined Balance Sheet
All Fund Types, Account Groups, and Discretely Presented Component Unit
December 31, 2001
(Continued)**

	Governmental Fund Types				Proprietary Fund Type
	General	Special Revenue	Debt Service	Capital Projects	Enterprise
LIABILITIES, FUND EQUITY, AND OTHER CREDITS					
Liabilities					
Accounts Payable	\$222,691	\$300,082		\$23,601	\$472,548
Contracts Payable		73,446		281,194	
Accrued Wages Payable	251,318	209,601			237,972
Compensated Absences Payable	13,233	28,195			374,281
Retainage Payable		15,748		101,228	
Interfund Payable	20,061	230,910	\$11,417	283,107	4,912
Due to Other Funds	7,042	71,923			1,537
Due to Other Governments	233,940	313,006			278,892
Deferred Revenue	2,893,157	4,685,435	33,131,434	43,308	532,977
Undistributed Assets					
Claims Payable					
Accrued Interest Payable	740			5,327	522,437
Notes Payable	457,266			3,292,734	
Payable from Restricted Assets:					
Accrued Interest Payable					103,703
General Obligation Revenue Bonds Payable					545,000
General Obligation Bonds Payable					11,869,432
General Obligation Revenue Bonds Payable					7,596,625
Ohio Water and Sewer Loans Payable					1,362,739
OWDA Loans Payable					29,246,791
OPWC Loans Payable					606,467
OEPA Loans Payable					3,108,856
Capital Leases Payable					
Special Assessment Debt with Governmental Commitment					
Total Liabilities	4,099,448	5,928,346	33,142,851	4,030,499	56,865,169
Fund Equity and Other Credits					
Investment in General Fixed Assets					
Retained Earnings:					
Reserved for Current Debt Service					648,703
Reserved for Future Debt Service					523,154
Reserved for Repair and Improvement					852,045
Unreserved (Deficit)					60,874,521
Net Assets					
Contributed Capital					22,412,820
Fund Balance:					
Reserved for Loans Receivable	494,706	415,637			
Reserved for Unclaimed Monies	84,445				
Reserved for Encumbrances	242,713	322,364		996,931	
Unreserved (Deficit)	3,993,971	6,443,063	981,850	(2,827,276)	
Total Fund Equity (Deficit) and Other Credits	4,815,835	7,181,064	981,850	(1,830,345)	85,311,243
Total Liabilities, Fund Equity and Other Credits	\$8,915,283	\$13,109,410	\$34,124,701	\$2,200,154	\$142,176,412

See Accompanying Notes to the General -Purpose Financial Statements

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only) Primary Government	Component Unit	Totals (Memorandum Only) Reporting Entity
		General Fixed Assets	General Long-Term Obligations			
				\$1,018,922	\$29,986	\$1,048,908
				354,640		354,640
				698,891	24,907	723,798
			\$1,096,612	1,512,321		1,512,321
				116,976		116,976
\$102,953				653,360		653,360
	\$4,909			85,411		85,411
	48,301,601		6,703	49,134,142	4,718	49,138,860
				41,286,311		41,286,311
	5,980,445			5,980,445		5,980,445
793,074				793,074		793,074
				528,504		528,504
			1,095,000	4,845,000	58,851	4,903,851
				103,703		103,703
				545,000		545,000
			4,019,000	15,888,432		15,888,432
				7,596,625		7,596,625
				1,362,739		1,362,739
			17,078,858	46,325,649		46,325,649
				606,467		606,467
				3,108,856		3,108,856
			7,854	7,854	18,811	26,665
			7,062,359	7,062,359		7,062,359
896,027	54,286,955		30,366,386	189,615,681	137,273	189,752,954
		\$26,638,910		26,638,910		26,638,910
				648,703		648,703
				523,154		523,154
				852,045		852,045
(890,823)				59,983,698		59,983,698
					251,423	251,423
				22,412,820		22,412,820
				910,343		910,343
				84,445		84,445
				1,562,008		1,562,008
				8,591,608		8,591,608
(890,823)		26,638,910		122,207,734	251,423	122,459,157
\$5,204	\$54,286,955	\$26,638,910	\$30,366,386	\$311,823,415	\$388,696	\$312,212,111

OTTAWA COUNTY

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
All Governmental Fund Types
For the Year Ended December 31, 2001**

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
Revenues		
Property Taxes	\$2,581,000	\$2,789,514
Permissive Sales Taxes	4,299,672	
Other Local Taxes		437,458
Special Assessments		33,825
Charges for Services	2,102,961	1,550,641
Licenses and Permits	114,061	84,270
Fines and Forfeitures	510,284	50,264
Intergovernmental	1,383,761	11,145,478
Interest	1,055,548	22,223
Other	249,168	887,756
Total Revenues	<u>12,296,455</u>	<u>17,001,429</u>
Expenditures		
Current:		
General Government:		
Legislative and Executive	3,721,661	435,689
Judicial	1,776,553	401,329
Public Safety	4,737,689	776,992
Public Works	16,898	6,070,957
Health	428,967	92,941
Human Services	478,452	9,816,407
Conservation and Recreation		96,910
Economic Development and Assistance		295
Other		13,438
Capital Outlay		
Debt Service:		
Principal Retirement		2,252
Interest and Fiscal Charges	21,156	189
Total Expenditures	<u>11,181,376</u>	<u>17,707,399</u>
Excess of Revenues Over (Under) Expenditures	<u>1,115,079</u>	<u>(705,970)</u>
Other Financing Sources (Uses)		
Inception of Capital Lease		10,106
Sale of Fixed Assets	914	
Proceeds of Notes		
Operating Transfers - In	296,198	2,086,351
Operating Transfers - Out	(1,693,367)	(1,967,766)
Total Other Financing Sources (Uses)	<u>(1,396,255)</u>	<u>128,691</u>
Excess of Expenditures and Other Financing Uses Over Revenues and Other Financing Sources	(281,176)	(577,279)
Fund Balances (Deficit) at Beginning of Year - Restated (Note 4)	<u>5,097,011</u>	<u>7,758,343</u>
Fund Balances (Deficit) at End of Year	<u><u>\$4,815,835</u></u>	<u><u>\$7,181,064</u></u>

See Accompanying Notes to the General-Purpose Financial Statements

Governmental Fund Types		Totals (Memorandum Only)
Debt Service	Capital Projects	
\$207,282		\$5,577,796
		4,299,672
		437,458
2,227,786	\$59,278	2,320,889
		3,653,602
		198,331
		560,548
19,431		12,548,670
3,957	53,883	1,135,611
251,249	75,194	1,463,367
<u>2,709,705</u>	<u>188,355</u>	<u>32,195,944</u>
		4,157,350
		2,177,882
		5,514,681
		6,087,855
		521,908
		10,294,859
		96,910
		295
3,733		17,171
	2,580,042	2,580,042
2,658,138		2,660,390
1,361,048	109,683	1,492,076
<u>4,022,919</u>	<u>2,689,725</u>	<u>35,601,419</u>
<u>(1,313,214)</u>	<u>(2,501,370)</u>	<u>(3,405,475)</u>
		10,106
		914
1,095,000		1,095,000
204,457	1,201,266	3,788,272
	(81,804)	(3,742,937)
<u>1,299,457</u>	<u>1,119,462</u>	<u>1,151,355</u>
(13,757)	(1,381,908)	(2,254,120)
<u>995,607</u>	<u>(448,437)</u>	<u>13,402,524</u>
<u>\$981,850</u>	<u>(\$1,830,345)</u>	<u>\$11,148,404</u>

OTTAWA COUNTY

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget (Non-GAAP Budgetary Basis) and Actual Comparison
All Governmental Fund Types
For the Year Ended December 31, 2001**

	General Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues			
Property Taxes	\$2,239,000	\$2,583,352	\$344,352
Permissive Sales Taxes	3,900,000	4,263,338	363,338
Other Local Taxes			
Special Assessments			
Charges for Services	2,068,346	2,053,233	(15,113)
Licenses and Permits	135,300	114,011	(21,289)
Fines and Forfeitures	407,100	482,189	75,089
Intergovernmental	1,247,000	1,528,197	281,197
Interest	1,600,000	932,502	(667,498)
Other	186,000	148,574	(37,426)
Total Revenues	<u>11,782,746</u>	<u>12,105,396</u>	<u>322,650</u>
Expenditures			
Current:			
General Government:			
Legislative and Executive	3,853,866	3,549,479	304,387
Judicial	1,866,493	1,792,080	74,413
Public Safety	4,831,130	4,755,411	75,719
Public Works	23,273	19,612	3,661
Health	445,254	441,785	3,469
Human Services	495,775	478,134	17,641
Conservation and Recreation			
Economic Development and Assistance			
Other			
Capital Outlay			
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
Total Expenditures	<u>11,515,791</u>	<u>11,036,501</u>	<u>479,290</u>
Excess of Revenues Over (Under) Expenditures	<u>266,955</u>	<u>1,068,895</u>	<u>801,940</u>
Other Financing Sources (Uses)			
Other Financing Sources	170,150	227,665	57,515
Other Financing Uses	(466,164)	(474,008)	(7,844)
Sale of Fixed Assets	2,000	914	(1,086)
Proceeds of Notes			
Advances - In		924,429	924,429
Advances - Out		(633,299)	(633,299)
Operating Transfers - In	275,000	296,198	21,198
Operating Transfers - Out	(2,175,540)	(1,673,306)	502,234
Total Other Financing Sources (Uses)	<u>(2,194,554)</u>	<u>(1,331,407)</u>	<u>863,147</u>
Excess of Expenditures and Other Financing Uses Over Revenues and Other Financing Sources	(1,927,599)	(262,512)	1,665,087
Fund Balances at Beginning of Year - Restated (Note 4)	2,976,497	2,976,497	
Prior Year Encumbrances Appropriated	455,271	455,271	
Fund Balances at End of Year	<u><u>\$1,504,169</u></u>	<u><u>\$3,169,256</u></u>	<u><u>\$1,665,087</u></u>

Special Revenue Funds			Debt Service Funds		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$2,512,000	\$2,789,514	\$277,514	\$176,000	\$207,282	\$31,282
430,000	437,438	7,438			
33,825	33,825		940,426	924,610	(15,816)
1,117,471	1,208,658	91,187			
75,000	80,667	5,667		19,431	19,431
52,821	49,582	(3,239)		4,749	3,375
11,283,292	10,655,249	(628,043)	1,374	25,725	
25,800	28,223	2,423	25,725		
469,433	501,737	32,304	1,143,525	1,181,797	38,272
15,999,642	15,784,893	(214,749)			
823,174	507,955	315,219			
360,855	415,425	(54,570)			
1,556,896	752,286	804,610			
7,263,829	6,253,713	1,010,116			
105,298	104,608	690			
11,138,499	10,269,438	869,061			
110,583	102,154	8,429			
2,500	295	2,205		3,733	(3,733)
27,783	14,273	13,510			
			5,297,774	5,297,774	
			809,670	809,670	
21,389,417	18,420,147	2,969,270	6,107,444	6,111,177	(3,733)
(5,389,775)	(2,635,254)	2,754,521	(4,963,919)	(4,929,380)	34,539
1,154,834	1,520,154	365,320	175,139	207,087	31,948
			(9)	(9)	
135,000	230,910	95,910	4,501,902	4,496,902	(5,000)
	(335,284)	(335,284)		11,417	11,417
1,849,928	2,085,122	235,194		(13,750)	(13,750)
(1,981,502)	(1,967,766)	13,736	213,766	204,245	(9,521)
1,158,260	1,533,136	374,876	4,890,798	4,905,892	15,094
(4,231,515)	(1,102,118)	3,129,397	(73,121)	(23,488)	49,633
6,139,561	6,139,561		1,008,565	1,008,565	
975,321	975,321				
\$2,883,367	\$6,012,764	\$3,129,397	\$935,444	\$985,077	\$49,633

(Continued)

OTTAWA COUNTY

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget (Non-GAAP Budgetary Basis) and Actual Comparison
All Governmental Fund Types
For the Year Ended December 31, 2001
(Continued)**

	Capital Projects Funds		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property Taxes			
Permissive Sales Taxes			
Other Local Taxes			
Special Assessments	\$445,912	\$135,028	(\$310,884)
Charges for Services			
Licenses and Permits			
Fines and Forfeitures			
Intergovernmental		84,856	84,856
Interest	205,000	55,256	(149,744)
Other		3,291	3,291
Total Revenues	<u>650,912</u>	<u>278,431</u>	<u>(372,481)</u>
Expenditures			
Current:			
General Government:			
Legislative and Executive			
Judicial			
Public Safety			
Public Works			
Health			
Human Services			
Conservation and Recreation			
Economic Development and Assistance			
Other			
Capital Outlay	4,363,872	3,960,486	403,386
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
Total Expenditures	<u>4,363,872</u>	<u>3,960,486</u>	<u>403,386</u>
Excess of Revenues Over (Under) Expenditures	<u>(3,712,960)</u>	<u>(3,682,055)</u>	<u>30,905</u>
Other Financing Sources (Uses)			
Other Financing Sources	224,856	71,903	(152,953)
Other Financing Uses			
Sale of Fixed Assets			
Proceeds of Notes		348,098	348,098
Advances - In		283,107	283,107
Advances - Out		(575,395)	(575,395)
Operating Transfers - In	1,000,000	1,200,000	200,000
Operating Transfers - Out	(81,804)	(81,804)	
Total Other Financing Sources (Uses)	<u>1,143,052</u>	<u>1,245,909</u>	<u>102,857</u>
Excess of Expenditures and Other Financing Uses Over Revenues and Other Financing Sources	(2,569,908)	(2,436,146)	133,762
Fund Balances at Beginning of Year - Restated (Note 4)	746,244	746,244	
Prior Year Encumbrances Appropriated	2,543,754	2,543,754	
Fund Balances at End of Year	<u><u>\$720,090</u></u>	<u><u>\$853,852</u></u>	<u><u>\$133,762</u></u>

See Accompanying Notes to the General-Purpose Financial Statements

Totals (Memorandum Only)		
Budget	Actual	Variance Favorable (Unfavorable)
\$4,927,000	\$5,580,148	\$653,148
3,900,000	4,263,338	363,338
430,000	437,438	7,438
1,420,163	1,093,463	(326,700)
3,185,817	3,261,891	76,074
210,300	194,678	(15,622)
459,921	531,771	71,850
12,530,292	12,287,733	(242,559)
1,832,174	1,020,730	(811,444)
681,158	679,327	(1,831)
29,576,825	29,350,517	(226,308)
4,677,040	4,057,434	619,606
2,227,348	2,207,505	19,843
6,388,026	5,507,697	880,329
7,287,102	6,273,325	1,013,777
550,552	546,393	4,159
11,634,274	10,747,572	886,702
110,583	102,154	8,429
2,500	4,028	(1,528)
27,783	14,273	13,510
4,363,872	3,960,486	403,386
5,297,774	5,297,774	
809,670	809,670	
43,376,524	39,528,311	3,848,213
(13,799,699)	(10,177,794)	3,621,905
1,724,979	2,026,809	301,830
(466,173)	(474,017)	(7,844)
2,000	914	(1,086)
4,501,902	4,845,000	343,098
135,000	1,449,863	1,314,863
	(1,557,728)	(1,557,728)
3,338,694	3,785,565	446,871
(4,238,846)	(3,722,876)	515,970
4,997,556	6,353,530	1,355,974
(8,802,143)	(3,824,264)	4,977,879
10,870,867	10,870,867	
3,974,346	3,974,346	
\$6,043,070	\$11,020,949	\$4,977,879

OTTAWA COUNTY

**Combined Statement of Revenues, Expenses, and Changes in Fund Equity
All Proprietary Fund Types
For the Year Ended December 31, 2001**

	<u>Proprietary Fund Types</u>		Totals
	<u>Enterprise</u>	<u>Internal Service</u>	(Memorandum Only) Primary Government
Operating Revenues			
Charges for Services	\$17,175,441	\$2,544,896	\$19,720,337
Other Operating Revenues	447,981	26,372	474,353
Total Operating Revenues	<u>17,623,422</u>	<u>2,571,268</u>	<u>20,194,690</u>
Operating Expenses			
Personal Services	8,266,372		8,266,372
Contractual Services	3,497,301	383,282	3,880,583
Materials and Supplies	1,754,604		1,754,604
Claims		3,059,395	3,059,395
Depreciation	3,575,135		3,575,135
Other Operating Expenses	17,391		17,391
Total Operating Expenses	<u>17,110,803</u>	<u>3,442,677</u>	<u>20,553,480</u>
Operating Income (Loss)	<u>512,619</u>	<u>(871,409)</u>	<u>(358,790)</u>
Non-Operating Revenues (Expenses)			
Property Taxes	633,955		633,955
Grants	102,347		102,347
Interest Revenue	392,344	8,574	400,918
Interest Expense	(1,846,918)		(1,846,918)
Loss on Disposal of Fixed Assets	(31,459)		(31,459)
Capital Contributions	1,140,450		1,140,450
Total Non-Operating Revenues (Expenses)	<u>390,719</u>	<u>8,574</u>	<u>399,293</u>
Income (Loss) Before Operating Transfers	903,338	(862,835)	40,503
Operating Transfers - In	260,522		260,522
Operating Transfers - Out	(305,857)		(305,857)
Net Income (Loss)	858,003	(862,835)	(4,832)
Depreciation on Fixed Assets Acquired by Contributed Capital	128,612		128,612
Retained Earnings (Deficit) at Beginning of Year - Restated (Note 4)	<u>61,911,808</u>	<u>(27,988)</u>	<u>61,883,820</u>
Retained Earnings (Deficit) at End of Year	<u>62,898,423</u>	<u>(890,823)</u>	<u>62,007,600</u>
Contributed Capital at Beginning of Year	22,541,432		22,541,432
Depreciation on Fixed Assets Acquired by Contributed Capital	(128,612)		(128,612)
Contributed Capital at End of Year	<u>22,412,820</u>		<u>22,412,820</u>
Total Fund Equity (Deficit) at End of Year	<u>\$85,311,243</u>	<u>(\$890,823)</u>	<u>\$84,420,420</u>

See Accompanying Notes to the General-Purpose Financial Statements

OTTAWA COUNTY

Statement of Activities and Change in Net Assets
Component Unit
For the Year Ended December 31, 2001

	<u>Riverview Industries</u>
Operating Revenues	
Production	\$653,873
Janitorial	369,567
Other	380,503
In Kind Contributions	<u>77,225</u>
Total Operating Revenues	<u>1,481,168</u>
Operating Expenses	
Production	604,741
Janitorial	334,668
General and Administration	<u>485,316</u>
Total Operating Expenses	<u>1,424,725</u>
Change in Net Assets	56,443
Net Assets at Beginning of Year	<u>194,980</u>
Net Assets at End of Year	<u><u>\$251,423</u></u>

See Accompanying Notes to the General-Purpose Financial Statements

OTTAWA COUNTY

**Combined Statement of Revenues, Expenses, and Changes in Fund Balances
Budget (Non-GAAP Budgetary Basis) and Actual Comparison
All Proprietary Fund Types
For the Year Ended December 31, 2001**

	Enterprise Funds		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues			
Charges for Services	\$16,817,450	\$16,198,180	(\$619,270)
Property Taxes	620,000	633,955	13,955
Special Assessments	1,312,442	1,303,176	(9,266)
Grants	259,000	76,722	(182,278)
Interest Revenue	421,498	392,344	(29,154)
Proceeds of Loans	686,126	55,074	(631,052)
Other Revenues	355,287	502,388	147,101
Total Revenues	<u>20,471,803</u>	<u>19,161,839</u>	<u>(1,309,964)</u>
Expenses			
Personal Services	7,856,643	7,596,808	259,835
Contractual Services	5,252,897	4,796,312	456,585
Materials and Supplies	1,750,839	1,646,575	104,264
Capital Outlay	1,339,641	403,522	936,119
Claims			
Other Expenses	9,063	20,422	(11,359)
Debt Service:			
Principal Retirement	2,729,043	2,729,043	
Interest and Fiscal Charges	2,534,632	2,534,632	
Total Expenses	<u>21,472,758</u>	<u>19,727,314</u>	<u>1,745,444</u>
Excess of Expenses Over Revenues	(1,000,955)	(565,475)	435,480
Advances - In		4,912	4,912
Operating Transfers - In	127,689	243,168	115,479
Operating Transfers - Out	(339,466)	(305,857)	33,609
Excess of Expenses and Transfers-Out Over Revenues, Advances and Transfers-In	(1,212,732)	(623,252)	589,480
Fund Balances at Beginning of Year - Restated (Note 4)	8,802,405	8,802,405	
Prior Year Encumbrances Appropriated	1,260,545	1,260,545	
Fund Balances at End of Year	<u><u>\$8,850,218</u></u>	<u><u>\$9,439,698</u></u>	<u><u>\$589,480</u></u>

See Accompanying Notes to the General-Purpose Financial Statements

Internal Service Fund			Totals (Memorandum Only)		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$2,659,093	\$2,544,896	(\$114,197)	\$19,476,543	\$18,743,076	(\$733,467)
			620,000	633,955	13,955
			1,312,442	1,303,176	(9,266)
			259,000	76,722	(182,278)
10,000	9,746	(254)	431,498	402,090	(29,408)
			686,126	55,074	(631,052)
13,000	24,260	11,260	368,287	526,648	158,361
2,682,093	2,578,902	(103,191)	23,153,896	21,740,741	(1,413,155)
			7,856,643	7,596,808	259,835
383,282	383,282		5,636,179	5,179,594	456,585
			1,750,839	1,646,575	104,264
			1,339,641	403,522	936,119
2,490,259	2,490,021	238	2,490,259	2,490,021	238
			9,063	20,422	(11,359)
			2,729,043	2,729,043	
			2,534,632	2,534,632	
2,873,541	2,873,303	238	24,346,299	22,600,617	1,745,682
(191,448)	(294,401)	(102,953)	(1,192,403)	(859,876)	332,527
	102,953	102,953		107,865	107,865
			127,689	243,168	115,479
			(339,466)	(305,857)	33,609
(191,448)	(191,448)		(1,404,180)	(814,700)	589,480
191,271	191,271		8,993,676	8,993,676	
177	177		1,260,722	1,260,722	
			\$8,850,218	\$9,439,698	\$589,480

OTTAWA COUNTY

**Combined Statement of Cash Flows
All Proprietary Fund Types
For the Year Ended December 31, 2001**

	<u>Proprietary Fund Types</u>		Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	Primary Government
Increase (Decrease) in Cash and Cash Equivalents			
<u>Cash Flows from Operating Activities</u>			
Cash Received from Customers	\$16,210,242		\$16,210,242
Cash Received from Quasi-External Operating Transactions with Other Funds		2,544,896	2,544,896
Cash Paid for Personal Services	(6,703,410)		(6,703,410)
Cash Paid for Contractual Services	(3,582,804)	(383,282)	(3,966,086)
Cash Paid to Suppliers	(1,563,332)		(1,563,332)
Cash Paid for Claims		(2,486,930)	(2,486,930)
Cash Paid for Quasi-External Operating Transactions with Other Funds	(888,898)		(888,898)
Cash Received from Other Revenues	491,929	24,260	516,189
Cash Paid for Other Expenses	(16,663)		(16,663)
Net Cash Provided by (Used for) Operating Activities	<u>3,947,064</u>	<u>(301,056)</u>	<u>3,646,008</u>
<u>Cash Flows from Noncapital Financing Activities</u>			
Property Taxes	633,955		633,955
Grants	76,722		76,722
Advances - In	4,912	102,953	107,865
Operating Transfers - In	243,168		243,168
Operating Transfers - Out	(305,857)		(305,857)
Net Cash Provided by Noncapital Financing Activities	<u>652,900</u>	<u>102,953</u>	<u>755,853</u>
<u>Cash Flows from Capital and Related Financing Activities</u>			
Acquisition of Fixed Assets	(184,691)		(184,691)
Principal Paid on General Obligation Bonds	(424,400)		(424,400)
Interest Paid on General Obligation Bonds	(683,216)		(683,216)
Principal Paid on General Obligation Revenue Bonds	(525,000)		(525,000)
Interest Paid on General Obligation Revenue Bonds	(384,715)		(384,715)
Principal Paid on Ohio Water and Sewer Loans	(9,105)		(9,105)
Principal Paid on OWDA Loans	(1,009,167)		(1,009,167)
Interest Paid on OWDA Loans	(616,684)		(616,684)
Principal Paid on OPWC Loans	(39,113)		(39,113)
Interest Paid on OPWC Loans	(18,398)		(18,398)
Principal Paid on OEPA Loans	(111,894)		(111,894)
Interest Paid on OEPA Loans	(128,348)		(128,348)
Proceeds from Ohio Water and Sewer Loans	37,929		37,929
Proceeds from OWDA Loans	17,145		17,145
Net Cash Used for Capital and Related Financing Activities	<u>(4,079,657)</u>		<u>(4,079,657)</u>

(Continued)

OTTAWA COUNTY

**Combined Statement of Cash Flows
All Proprietary Fund Types
For the Year Ended December 31, 2001
(Continued)**

	<u>Proprietary Fund Types</u>		Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Primary Government</u>
Increase (Decrease) in Cash and Cash Equivalents			
<u>Cash Flows from Investing Activities</u>			
Interest	392,344	9,746	402,090
Cash Received from Sale of Investments	673,145		673,145
Cash Payments for Purchase of Investments	(685,169)		(685,169)
Net Cash Provided by Investing Activities	<u>380,320</u>	<u>9,746</u>	<u>390,066</u>
Net Increase (Decrease) in Cash and Cash Equivalents	900,627	(188,357)	712,270
Cash and Cash Equivalents at Beginning of Year	<u>11,019,848</u>	<u>191,449</u>	<u>11,211,297</u>
Cash and Cash Equivalents at End of Year	<u><u>\$11,920,475</u></u>	<u><u>\$3,092</u></u>	<u><u>\$11,923,567</u></u>

**Reconciliation of Operating Income (Loss) to
Net Cash Provided by (Used for) Operating Activities**

Operating Income (Loss)	<u>\$512,619</u>	<u>(\$871,409)</u>	<u>(\$358,790)</u>
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</u>			
Depreciation	3,575,135		3,575,135
Changes in Assets and Liabilities:			
Increase in Accounts Receivable	(467,661)	(2,112)	(469,773)
Decrease in Due from Other Funds	44,244		44,244
Increase in Due from Other Governments	(497,834)		(497,834)
Decrease in Materials and Supplies Inventory	6,562		6,562
Increase in Prepaid Items	(20,269)		(20,269)
Increase in Accounts Payable	454,456		454,456
Decrease in Contracts Payable	(307,225)		(307,225)
Increase in Accrued Wages Payable	183,717		183,717
Increase in Compensated Absences Payable	234,286		234,286
Increase in Due to Other Funds	1,537		1,537
Increase in Due to Other Governments	227,497		227,497
Increase in Claims Payable		572,465	572,465
Total Adjustments	<u>3,434,445</u>	<u>570,353</u>	<u>4,004,798</u>
Net Cash Provided by (Used for) Operating Activities	<u><u>\$3,947,064</u></u>	<u><u>(\$301,056)</u></u>	<u><u>\$3,646,008</u></u>

Non-Cash Capital Transactions

During 2001, the Portage Catawba, Regional Water, and Woodland Estates enterprise funds received donated fixed assets, in the amount of \$769,747, \$345,041, and \$25,662, respectively.

See Accompanying Notes to the General-Purpose Financial Statements

OTTAWA COUNTY
Statement of Cash Flows
Component Unit
For the Year Ended December 31, 2001

	<u>Riverview Industries</u>
Increase (Decrease) in Cash and Cash Equivalents	
Change in Net Assets	\$56,443
<u>Cash Provided by Operating Activities</u>	
Depreciation	23,219
Non-cash Donations	(291)
Scrap Loss	1,132
Changes in Assets and Liabilities	
Increase in Accounts Receivable	(13,087)
Decrease in Materials and Supplies Inventory	905
Increase in Prepaid Items	(695)
Increase in Accounts Payable	1,712
Increase in Accrued Wages Payable	3,746
Increase in Due to Other Governments	931
Net Cash Provided by Operating Activities	<u>74,015</u>
<u>Cash Flows from Investing Activities</u>	
Acquisition of Fixed Assets	<u>(51,933)</u>
<u>Cash Flows from Financing Activities</u>	
Principal Paid on Notes	(2,149)
Principal Paid on Capital Leases	(2,189)
Proceeds of Notes	<u>42,000</u>
Net Cash Provided for Financing Activities	<u>37,662</u>
Net Increase in Cash and Cash Equivalents	59,744
Cash and Cash Equivalents at Beginning of Year	<u>144,563</u>
Cash and Cash Equivalents at End of Year	<u><u>\$204,307</u></u>

See Accompanying Notes to the General-Purpose Financial Statements

OTTAWA COUNTY

Notes to the General Purpose Financial Statements For the Year Ended December 31, 2001

NOTE 1 - REPORTING ENTITY

Ottawa County, Ohio (the County) was created in 1840. The County is governed by a board of three commissioners elected by the voters of the County. Other officials elected by the voters of the County that manage various segments of the County's operations are the Auditor, Treasurer, Recorder, Clerk of Courts, Coroner, Engineer, Prosecuting Attorney, Sheriff, a Common Pleas Court Judge, a Municipal Court Judge, and a Probate/Juvenile Court Judge.

Although the elected officials manage the internal operations of their respective departments, the County Commissioners authorize expenditures and serve as the budget and taxing authority, contracting body, and the chief administrators of public services for the entire County.

The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements of the County are not misleading.

A. Primary Government:

The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the County. For Ottawa County, this includes the Ottawa County Board of Mental Retardation and Developmental Disabilities (MRDD), Children Services Board, and departments and activities that are directly operated by the elected County officials.

B. Component Units:

Component units are legally separate organizations for which the County is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the organization's governing board and (1) the County is able to significantly influence the programs or services performed or provided by the organization; or (2) the County is legally entitled to or can otherwise access the organization's resources; the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the County is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the County in that the County approves the budget, the issuance of debt, or the levying of taxes.

Discretely Presented Component Unit

The component unit column on the combined financial statements identifies the financial data of the County's component unit, Riverview Industries. It is reported separately to emphasize that it is legally separate from the County.

Riverview Industries. Riverview Industries (the Industries) is a legally separate, not-for-profit corporation, served by a self-appointing board of trustees. The Industries, under a contractual agreement with the Ottawa County Board of Mental Retardation and Developmental Disabilities (MRDD), provides sheltered employment for mentally retarded or handicapped adults in Ottawa County. The Ottawa County Board of MRDD provides the Industries with all expenses and personnel for operation of the Industries including staff salaries, transportation, equipment (except that used directly in the production of goods or rendering of services), staff to administer and supervise training programs, and other funds as necessary for the operation of the Industries.

OTTAWA COUNTY

Notes to the General Purpose Financial Statements For the Year Ended December 31, 2001 (Continued)

Based on the significant services and resources provided by the County to the Industries and the Industries' sole purpose of providing assistance to the retarded and handicapped adults of Ottawa County, the Industries is presented as a component unit of Ottawa County. The Riverview Industries operates on a fiscal year ending December 31. The financial information can be obtained from James Frederick, 8200 West State Route 163, Oak Harbor, Ohio 43449.

As custodian of public funds, the County Treasurer invests all public monies held on deposit in the County treasury. In the case of the separate agencies listed below, the County serves as the fiscal agent, but the organizations are not considered part of Ottawa County. Accordingly, the activity of the following organizations is presented as agency funds within the combined financial statements:

Ottawa County Soil and Water Conservation District
Ottawa County District Board of Health

The County participates in several joint ventures, a jointly governed organization, and an insurance pool. These organizations are presented in Notes 24, 25, and 26 to the combined financial statements. These organizations are:

Joint Solid Waste District
Alcohol, Drug Addiction, and Mental Health Services Board (ADAMHS)
Regional Airport Authority
Ottawa County Regional Planning Commission
County Risk Sharing Authority, Inc. (CORSA)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles (GAAP) for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources. The County also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements.

Riverview Industries is a non-governmental not-for-profit organization which prepares its financial statements in accordance with Financial Accounting Standards Board Statement No. 117.

A. Fund Accounting:

The County uses funds and account groups to report on their financial position and the results of their operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain County functions or activities.

A fund is defined as a fiscal and accounting entity with a self balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net available expendable resources.

OTTAWA COUNTY

Notes to the General Purpose Financial Statements For the Year Ended December 31, 2001 (Continued)

For financial statement presentation purposes, the various funds of the County are grouped into the following generic fund types under the broad fund categories of governmental, proprietary, and fiduciary.

Governmental Fund Types

Governmental funds are those through which most governmental functions of the County are financed. The acquisition, use, and balances of the County's expendable financial resources and the related current liabilities (except those accounted for in proprietary fund types) are accounted for through governmental funds. The following are the County's governmental fund types:

General Fund. This fund is used to account for all financial resources of the County, except those required to be accounted for in another fund. The General fund balance is available to the County for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds. These funds are used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Funds. These funds are used to account for the accumulation of financial resources for, and the payment of, general and special assessment long-term obligation principal, interest, and related costs.

Capital Projects Funds. These funds are used to account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Fund Types

Proprietary funds are used to account for the County's ongoing activities which are similar to those found in the private sector. The following are the County's proprietary fund types:

Enterprise Funds. These funds are used to account for activities that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Fund. This fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the County, or to other governmental units, on a cost-reimbursement basis.

Fiduciary Fund Type

Fiduciary funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The County's fiduciary funds are agency funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

OTTAWA COUNTY

Notes to the General Purpose Financial Statements For the Year Ended December 31, 2001 (Continued)

Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group. This account group is used to account for all fixed assets of the County, except those accounted for in the proprietary funds.

General Long-Term Obligations Account Group. This account group is used to account for all long-term obligations of the County, except those accounted for in the proprietary funds.

B. Measurement Focus and Basis of Accounting:

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary fund types are accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Operating statements of these funds present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental fund types and agency funds. The full accrual basis of accounting is followed for the proprietary fund types and Riverview Industries.

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

Nonexchange transactions, in which the County receives value without directly giving equal value in return, include property taxes, permissive sales taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from permissive sales taxes is recognized in the period in which the sales are made. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the County must provide local resources to be used for a specified purpose; and expenditure requirements,

OTTAWA COUNTY

Notes to the General Purpose Financial Statements For the Year Ended December 31, 2001 (Continued)

in which the resources are provided to the County on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at year end: permissive sales taxes, charges for services, fines and forfeitures, state levied locally shared taxes (including gasoline tax and motor vehicle license tax), grants, and interest.

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there was an enforceable legal claim as of December 31, 2001, but which were levied to finance 2002 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, revenues that are not collected within the available period are recorded as deferred revenue.

On the accrual basis, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

C. Budgetary Process:

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, legally are required to be budgeted and appropriated.

Advances in and advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

Budgetary information for the Commissary special revenue fund and Riverview Industries are not reported because they are not included in the entity for which the "appropriated budget" is adopted.

Tax Budget

A budget of estimated revenues and expenditures is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. The budget includes proposed expenditures for all funds. The purpose of this budget document is to reflect the need for existing or increased tax rates.

Estimated Resources

The County Budget Commission reviews estimated revenues and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The County Budget Commission certifies its

OTTAWA COUNTY

Notes to the General Purpose Financial Statements For the Year Ended December 31, 2001 (Continued)

actions to the County by September 1. As part of this certification, the County receives the official certificate of estimated resources, which states the estimated beginning of year fund balance and projected revenue of each fund. Prior to December 31, the County must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include the actual unencumbered fund balances from the preceding year. The certificate of estimated resources may be further amended during the year if the County Auditor determines, and the County Budget Commission agrees, that an estimate needs to be increased or decreased. The amounts reported on the budgetary statements reflect the amounts in the final amended official certificate of estimated resources issued during 2001.

Appropriations

A temporary appropriations resolution to control expenditures may be passed on or about January 1 of each year, for the period January 1 to March 31. An annual appropriations resolution must be passed by April 1 of each year, for the period January 1 to December 31. The appropriations resolution may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified.

The allocation of appropriations among departments and objects within a fund may be modified during the year only by a resolution of the County Commissioners. Several supplemental appropriations resolutions were legally enacted by the County Commissioners during the year. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts passed during the year.

Budgeted Level of Expenditures

Administrative control is maintained through the establishment of detailed line-item budgets. The legal level of budgetary control is at the object level within each department (i.e., General Fund - Commissioners - personal services, contractual services, materials and supplies, capital outlay, debt service, and transfers). Expenditures plus encumbrances may not legally exceed appropriations at the level of appropriation.

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation. On the GAAP basis, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental fund types and reported in the notes to the financial statements for proprietary fund types.

Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding year and are not reappropriated.

OTTAWA COUNTY

Notes to the General Purpose Financial Statements For the Year Ended December 31, 2001 (Continued)

D. Cash and Investments:

To improve cash management, cash received by the County, except cash in segregated accounts or with fiscal agents, is pooled and invested. Individual fund integrity is maintained through County records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

Cash and cash equivalents that are held separately within departments of the County or with fiscal agents, and not held with the County Treasurer, are recorded on the combined balance sheet as "Cash and Cash Equivalents in Segregated Accounts" and "Cash and Cash Equivalents with Fiscal Agents", respectively.

Cash and cash equivalents of Riverview Industries are held by the component unit and are recorded on the combined balance sheet as "Cash and Cash Equivalents in Segregated Accounts".

During 2001, the County invested in non-negotiable certificates of deposit, mutual funds, and STAR Ohio. Nonnegotiable certificates of deposit are reported at cost. Mutual funds are reported at fair value, which is based on current share price. 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, 2001.

Interest earnings are allocated to County funds according to State statutes, grant requirements, or debt related restrictions. Interest revenue credited to the General fund during 2001 was \$1,055,548, which includes \$840,008 assigned from other County funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the County are considered to be cash and cash equivalents. Investments with an initial maturity of more than three months, and not purchased from the pool, are reported as investments.

E. Materials and Supplies Inventory:

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

F. Prepaid Items:

Payments made to vendors for services that will benefit periods beyond December 31, 2001, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

G. Unamortized Issuance Costs/Bond Discount

For governmental fund types, issuance costs and bond discounts are recognized in the current period. For proprietary funds, issuance costs and bond discounts are deferred and amortized over the term of the

OTTAWA COUNTY

**Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001
(Continued)**

bonds using the bonds-outstanding method, which approximates the effective interest method. Issuance costs are recorded as deferred charges. Bond discounts are presented as a reduction of the face amount of bonds payable.

H. Restricted Assets

Restricted assets represent certain resources which are segregated from other resources of the County to comply with various covenants established by bond financing agreements. These assets are generally held in separate accounts of the County or by a trustee. The various covenants place restrictions on the use of these resources, require minimum balances to be maintained in certain accounts, and establish annual amounts to be accumulated for specific uses.

I. Fixed Assets:

The fixed asset values were recorded at original acquisition costs when such information was available. In cases where information supporting original costs was not available, estimated historical costs were used. Donated fixed assets are capitalized at fair market value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements which extend the useful life or increase the capacity or operating efficiency of the asset are capitalized at cost.

General Fixed Assets

General fixed assets (fixed assets used in governmental fund type operations) are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in the governmental funds, and the related assets are reported in the general fixed assets account group at historical cost or estimated historical cost. Assets in the general fixed assets account group are not depreciated.

Public domain (infrastructure) general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are not capitalized or reported as these assets are immovable and of value only to the County.

Proprietary Fund Fixed Assets

Fixed assets reflected in the proprietary funds are stated at historical cost (or estimated historical cost) and are updated for the cost of additions and reductions during the year. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

<u>Asset Category</u>	<u>Estimated Lives</u>
Buildings	50 years
Improvements Other than Buildings	20 - 50 years
Water and Sewer Lines	50 years
Equipment	5 - 20 years
Vehicles	5 years

OTTAWA COUNTY

**Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001
(Continued)**

Capitalization of Interest. Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The County's policy is to capitalize net interest on construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project from the date of borrowing until completion of the project and the interest earned from the temporary investment of the debt proceeds over the same period. Capitalized interest is amortized on a straight-line basis over the estimated useful life of the asset. For 2001, there were no capitalized interest costs incurred on proprietary fund construction projects.

Riverview Industries Fixed Assets

Fixed assets are recorded at cost. Donated fixed assets are recorded at fair market value on the date donated. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

<u>Asset Category</u>	<u>Estimated Lives</u>
Buildings	3 years
Furniture and Fixtures	3 years
Equipment	3 years
Vehicles	3 years

J. Interfund Assets and Liabilities:

Short-term interfund loans are classified as "Interfund Receivables/Payables". Transactions between individual funds for goods provided or services rendered are classified as "Due from/to Other Funds".

K. Compensated Absences:

County employees earn vacation and sick leave at varying rates depending on length of service and department policy. Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the County will compensate the employees for the benefits through paid time off or some other means. All accumulated unused vacation time is paid upon separation if the employee has at least one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the County has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits specified in the County's termination policy. The County records a liability for accumulated unused sick leave for all employees after fifteen years of service with the County.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

OTTAWA COUNTY

**Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001
(Continued)**

L. Accrued Liabilities and Long-Term Obligations:

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as liabilities in the general long-term obligations account group to the extent that they will not be paid with current available expendable resources. Payments made more than sixty days after year end are generally considered not to have been paid with current available expendable resources. Long-term notes, bonds, and capital leases are reported as liabilities in the general long-term obligations account group until due.

Long-term debt and other obligations financed by the proprietary funds are reported as liabilities in the appropriate proprietary fund.

M. Contributed Capital:

Contributed capital represents contributions made prior to 2001 by the County, other governments, and private sources. These assets are recorded at their fair market value on the date contributed and are not subject to repayment. Depreciation on assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earning at year end.

Capital contributions received in 2001 have been recorded as revenues and reported as increases in retained earnings based on guidelines established in GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions".

N. Reserves of Fund Equity:

The County records reservations for portions of fund balance which are legally segregated for specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves have been established for loans receivable, unclaimed monies, and encumbrances.

O. Interfund Transactions:

Quasi-external transactions are accounted for as revenues and expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

P. Estimates:

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

OTTAWA COUNTY

**Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001
(Continued)**

Q. Total Columns on General Purpose Financial Statements:

Total columns on the general purpose financial statements are captioned “Totals (Memorandum Only)” to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data. When the title of a statement indicates that a component unit is included, two total columns are presented. The first is captioned “Primary Government” to indicate that only those activities that comprise the County’s legal entity have been included. The second is captioned “Reporting Entity” and includes the activity and operations of the County’s legally separate discretely presented component unit (Note 1). Total columns on statements which do not include a component unit have no additional caption.

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPALS

For 2001, the County has implemented Governmental Accounting Standards Board (GASB) Statement No. 33, “Accounting and Financial Reporting for Nonexchange Transactions” and Statement No. 36, “Recipient Reporting for Certain Shared Nonexchange Revenues”. These statements establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. The timing for the recognition of assets, liabilities, and expenditures/expenses resulting from nonexchange transactions will be the same whether the accrual or the modified accrual basis of accounting is required. However, for revenue recognition to occur on the modified accrual basis, the criteria established for accrual basis revenue recognition must be met and the revenues must be available. The provisions of GASB Statement No. 33 also require that capital contributions to proprietary funds be recognized as revenues beginning in 2001. For the County, the implementation of these statements had no effect on fund balances/retained earnings as previously reported for the year ended December 31, 2000.

NOTE 4 - CORRECTION OF ERRORS AND RESTATEMENT OF PRIOR YEAR FUND EQUITY

For the year ended December 31, 2001, the County has changed the fund type classifications of the following funds:

<u>Fund</u>	<u>From Fund Type</u>	<u>To Fund Type</u>
Unclaimed Money	Expendable Trust	General
Regional Planning	Special Revenue	Agency
Riverview Nursing Home	Special Revenue	Enterprise
Domestic Violence	Special Revenue	Agency
Danbury Township Wastewater Study	Special Revenue	Enterprise
Salem Reserve	Special Revenue	Enterprise
Danbury Sanitary Sewer Evaluation	Special Revenue	Enterprise
State Road Sewer Extension	Special Revenue	Enterprise
County Home Improvement Bond	Debt Service	Enterprise
ODOR/DO Bond	Debt Service	Enterprise

OTTAWA COUNTY

**Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001
(Continued)**

<u>Fund</u>	<u>From Fund Type</u>	<u>To Fund Type</u>
1995 Riverview Nursing Home Bond	Debt Service	Enterprise
Health Care Facility Bond	Debt Service	Enterprise
Put in Bay Port Authority Note	Capital Project	Debt Service
County Home Building Fund	Capital Project	Enterprise

In addition, the County has determined that the County Board of Mental Retardation and Developmental Disabilities, which in prior years has been presented as a discretely presented component unit, would be more properly presented as part of the Primary Government.

These reclassifications had the following effect on fund balances or retained earnings as previously reported as of December 31, 2000.

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	<u>Enterprise</u>	<u>MRDD Component Unit</u>
Fund Balance/Retained Earnings as Previously Reported	\$4,481,391	\$8,663,256	\$1,038,027	(\$200,761)	\$38,045	\$51,856,949	\$820,017
Fund Reclassifications	74,820	(2,052,218)	(42,420)	(247,676)	(38,045)	950,852	
Component Unit Reclassification		820,017					(820,017)
Fund Balance/Retained Earnings as Restated	<u>\$4,556,211</u>	<u>\$7,431,055</u>	<u>\$995,607</u>	<u>(\$448,437)</u>	<u>\$0</u>	<u>\$52,807,771</u>	<u>\$0</u>

The fixed assets reported in the general fixed assets account group decreased \$7,832,428, from \$31,506,333 to \$23,673,905, and the general long-term obligations account group decreased \$4,865,000, from \$36,825,242 to \$31,960,242, as of January 1, 2001, due to these reclassifications.

As of December 31, 2000, deferred revenues were overstated in the general and special revenue funds, and loans payable, accumulated depreciation and cash with fiscal agents were overstated in the enterprise funds. In addition, notes receivable were understated in the special revenue funds and fixed assets and accrued interest payable were understated in the enterprise funds. The correction of these errors had the following effect on fund balance and retained earnings:

	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise</u>
Fund Balance/Retained Earnings as Previously Restated	\$4,556,211	\$7,431,055	\$52,807,771
Notes Receivable		17,963	
Deferred Revenue	540,800	309,325	
Loans payable			51,310
Accrued Interest Payable			(648,369)
Fixed Assets			8,581,429
Accumulated Depreciation			1,135,501
Cash with Fiscal Agents			(15,834)
Fund Balance/Retained Earnings as Restated	<u>\$5,097,011</u>	<u>\$7,758,343</u>	<u>\$61,911,808</u>

OTTAWA COUNTY

**Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001
(Continued)**

The effect of the correction of these errors on the Excess of Revenue Over/(Under) Expenditures or Net Income as previously reported for the year ended December 31, 2000, is as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise</u>
Excess of Revenue Over/(Under) Expenditures or Net Income as Previously Reported	\$1,021,285	(\$1,652,530)	\$706,224
Notes Receivable		17,963	
Deferred Revenue	540,800	309,325	
Loans payable			14,022
Accrued Interest Payable			20,815
Accumulated Depreciation			(934,283)
Cash with Fiscal Agents			(15,834)
Excess of Revenue Over/(Under) Expenditures or Net Income as Adjusted	<u>\$1,562,085</u>	<u>(\$1,325,242)</u>	<u>(\$209,056)</u>

NOTE 5 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

The Self-Insurance internal service fund had deficit net assets, in the amount of \$890,823, which resulted primarily from current year operating losses. The County has increased the premiums charged by the fund on January 1, 2002.

B. Compliance

The following accounts had expenditures plus encumbrances in excess of appropriations for the year ended December 31, 2001.

	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Excess</u>
General Fund			
Other Financing Uses	\$466,164	\$474,008	(\$7,844)
Special Revenue Fund			
Reclaim Ohio			
Judicial	153,340	259,206	(105,866)
Debt Service Fund			
General Obligation Bond Retirement			
Other	0	3,733	(3,733)
Enterprise Fund			
County Home			
Other Operating Expenses	2,500	13,928	(11,428)

OTTAWA COUNTY

**Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001
(Continued)**

NOTE 6 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual - All Governmental Fund Types and the Combined Statement of Revenues, Expenses, and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual - All Proprietary Fund Types are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year end encumbrances are treated as expenditures/expenses (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis). Material encumbrances are disclosed in the notes for proprietary fund types (GAAP basis).
4. For proprietary funds, the acquisition and construction of fixed assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Although not part of the appropriated budget, the Commissary special revenue fund and Riverview Industries are included as part of the reporting entity when preparing financial statements that conform with GAAP.

Adjustments necessary to convert the results of operations at the end of the year on the GAAP basis to the budget basis are as follows:

Excess of Revenues and Other Financing Sources
Under Expenditures and Other Financing Uses
All Governmental Fund Types

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	(\$281,176)	(\$577,279)	(\$13,757)	(\$1,381,908)
<u>Increase (Decrease) Due To:</u>				
Net Revenue Adjustments	(210,831)	(243,799)	(1,321,033)	160,713
Net Expenditure Adjustments	143,753	(111,696)	(5,338,267)	30,967
Unrecorded Cash Activity	247,437	546,188	0	0
Materials and Supplies Inventory	10,447	103,480	0	0
Prepays Items	(13,618)	9,512	0	0
Proceeds of Notes	0	0	3,401,902	348,098

OTTAWA COUNTY

**Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001
(Continued)**

Note Principal Retirement	0	0	3,250,000	0
Advances - In	924,429	230,910	11,417	283,107
Advances - Out	(633,299)	(335,284)	(13,750)	(575,395)
Encumbrances Outstanding at Year				
End (Budget Basis)	<u>(449,654)</u>	<u>(724,150)</u>	<u>0</u>	<u>(1,301,728)</u>
Budget Basis	<u>(\$262,512)</u>	<u>(\$1,102,118)</u>	<u>(\$23,488)</u>	<u>(\$2,436,146)</u>

Net Income (Loss)/Excess of Revenues Under
Expenses, Advances, and Transfers
All Proprietary Fund Types

	<u>Enterprise</u>	<u>Internal Service</u>
GAAP Basis	\$858,003	(\$862,835)
<u>Increase (Decrease) Due To:</u>		
Net Revenue Adjustments	(760,095)	(940)
Net Expense Adjustments	(5,293,107)	572,466
Unrecorded Cash Activity	12,062	0
Materials and Supplies Inventory	(51,863)	0
Prepaid Items	(20,269)	0
Depreciation Expense	3,575,135	0
Loss on Disposal of Fixed Assets	31,459	0
Acquisition of Fixed Assets	(184,691)	0
Debt Principal Retirement	2,729,043	0
Advances - In	4,912	102,953
Encumbrances Outstanding at Year		
End (Budget Basis)	<u>(1,523,841)</u>	<u>(3,092)</u>
Budget Basis	<u>(\$623,252)</u>	<u>(\$191,448)</u>

NOTE 7 - DEPOSITS AND INVESTMENTS

A. Primary Government:

Monies held by the County are classified by State statute into two categories. The first classification consists of active monies, the amount of public monies necessary to meet current demands upon the County treasury. Active monies must be maintained either as cash in the County treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Monies held by the County which are not considered active are classified as inactive. Inactive monies can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

OTTAWA COUNTY

Notes to the General Purpose Financial Statements For the Year Ended December 31, 2001 (Continued)

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Association, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2), or cash, or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed 5 percent of the County's total average portfolio; and
10. Bankers acceptances for a period not to exceed two hundred seventy days and in an amount not to exceed 10 percent of the County's total average portfolio.

Protection of the County's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

OTTAWA COUNTY

**Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001
(Continued)**

At year end, the County had \$1,142,115 in cash on hand which is included on the combined balance sheet of the County as part of "Equity in Pooled Cash and Cash Equivalents".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

At year end, the carrying amount of the County's deposits was (\$361,533) and the bank balance was \$2,024,932. Of the bank balance, \$689,379 was covered by federal depository insurance, \$966,918 was secured by a standby letter of credit issued by the Federal Home Loan Bank of Cincinnati with the County named as beneficiary, and \$368,635 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

The County's investments are categorized to give an indication of the level of risk assumed by the County at year end. Category 1 includes investments that are insured or registered for which the securities are held by the County or by the County's agent in the County's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the County's name. STAR Ohio and mutual funds are unclassified investments since they are not evidenced by securities that exist in physical or book entry form. At December 31, 2001, the fair value of funds on deposit with STAR Ohio and mutual funds were \$30,520,188 and \$944,874, respectively.

The classification of cash and cash equivalents and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting". A reconciliation between the classification of cash and cash equivalents and investments on the combined balance sheet and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$32,245,644	\$0
Cash on Hand	(1,142,115)	0
STAR Ohio	(30,520,188)	30,520,188
Mutual Funds	(944,874)	944,874
GASB Statement No. 3	(\$361,533)	\$31,465,062

B. Component Unit:

The carrying amount of Riverview Industries deposits at year end was \$204,307 and the bank balance was \$221,192. Of the bank balance, \$220,844 was covered by federal depository insurance and \$348 was uninsured and uncollateralized. There are no significant statutory restrictions regarding the deposit and investment of funds by the not-for-profit corporation.

OTTAWA COUNTY

**Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001
(Continued)**

NOTE 8 - PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the County. Real property tax revenues received in 2001 represent the collection of 2000 taxes. Real property taxes for 2001 were levied after October 1, 2001, on the assessed values as of January 1, 2001, the lien date. These taxes will be collected in and are intended to finance 2002 operations. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. All property is required to be revalued every six years. The last revaluation was completed in 2000. Real property taxes are payable annually or semiannually. The first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes for 2001 were levied after October 1, 2001, on the assessed values as of December 31, 2000, the lien date. These taxes will be collected in and are intended to finance 2002 operations. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in 2001 (other than public utility property) represent the collection of 2001 taxes. Tangible personal property taxes received in 2001 were levied after October 1, 2000, on the true value as of December 31, 2000. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. The first payment is due April 30, with the remainder payable by September 20.

The County Treasurer collects property taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to the taxing districts their portion of the taxes collected. The collection and distribution of taxes for the County and for all subdivisions within the County is accounted for through agency funds. The amount of the County's tax collections which will flow through an agency fund is reported as "Taxes Receivable" on the combined balance sheet in both the agency fund and the governmental fund which will receive the tax distribution.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of December 31, 2001, and for which there was an enforceable legal claim. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31 and are not intended to finance 2001 operations.

The full tax rate for all County operations the year ended December 31, 2001, was \$4.70 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2001 property tax receipts were based are as follows:

Real Property	
Residential/Agricultural	\$835,322,270
Commercial/Industrial/Mineral	206,201,110

OTTAWA COUNTY

**Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001
(Continued)**

Public Utility Property	
Real	430,870
Personal	328,254,980
Tangible Personal Property	125,670,138
Total Assessed Value	<u>\$1,495,879,368</u>

NOTE 9 - PERMISSIVE SALES AND USE TAX

The County Commissioners, by resolution, imposed a 1 percent tax on all retail sales made in the County, except sales of motor vehicles, and on the storage, use, or consumption of tangible personal property in the County, including motor vehicles not subject to the sales tax. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies, to the State Auditor, the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of each month. The State Auditor then has five days in which to draw the warrant payable to the County.

NOTE 10 - RECEIVABLES

Receivables at December 31, 2001, consisted of taxes; special assessments; accounts (e.g., billings for user charged services); interfund; interest; loans; services charged to other funds; and intergovernmental receivables arising from grants, entitlements, and shared revenues. All receivables are considered fully collectible.

Receivables recorded on the County's financial statements are recorded to the extent the amounts are determined material and substantiated, not only by supporting documentation but also by a reasonable systematic method of determining their existence, completeness, valuation, and collectibility. Using these criteria, the County has elected to not record child support arrearages in the agency funds. These amounts, while potentially significant, are not considered measurable and, because collections are often significantly in arrears, the County is unable to determine a reasonable value.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
General Fund	
Local Government	\$424,881
Local Government Revenue Assistance	91,859
Homestead and Rollback	108,503
Estate Tax	1,133
Erie County Auditor	11,032
Auditor of State	9,550
City of Port Clinton	3,018
Other	2,631
Total General Fund	<u>652,607</u>

(Continued)

OTTAWA COUNTY

**Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001
(Continued)**

	Amount
Special Revenue Funds	
MVGT	
Gasoline Tax	\$675,803
Motor Vehicle License Tax	802,238
Permissive Motor Vehicle License Tax	187,148
Village of Rocky Ridge	70,674
State of Ohio	107,289
Human Services	
ADC Incentive	667
MRDD	
Unit Funding	156,587
Homestead and Rollback	112,759
Title XX	8,450
CAFS	148,734
Children's First	
Ohio Children's Trust	5,000
Children's Services	
State Child Protective Allocation	119,553
Chaffee Allocation	252
Title VI-B	22,686
Family Preservation	6,282
Family Reunification	1,735
State of Ohio	2,760
Hazard Mitigation	
Hazard Mitigation Grant	52,888
Children Support Enforcement Agency	
Administration Fees	8,571
OCTA	
Transportation	7,284
CHIP/HOME	
CHIP Grant	75,755
Reclaim Ohio	
Reclaim Ohio	104,650
CDBG Revolving Loan	
CDBG Grant	\$8,261
Municipal Court Community	
Municipal Court Corrections Grant	23,431
Victims of Crimes	
Victims of Crimes Grant	25,678
State Victims Assistance	12,749
Total Special Revenue Funds	2,747,884

(Continued)

OTTAWA COUNTY

**Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001
(Continued)**

	Amount
Debt Service Fund	
General Obligation Bond Retirement	
Homestead and Rollback	8,797
USDA - Farm Service Agency	2,586
Total Debt Service Fund	11,383
Enterprise Fund	
County Home	
Homestead and Rollback	25,625
Medicare	174,070
Medicaid	323,764
Total Enterprise Fund	523,459
Agency Funds	
Library Local Government	908,045
Local Government	469,581
Local Government Revenue Assistance	101,527
Gasoline Tax	293,377
Motor Vehicle License Tax	182,344
Permissive Motor Vehicle License Tax	33,334
Total Agency Funds	1,988,208
Total All Funds	\$5,923,541

NOTE 11 - LOANS RECEIVABLE

A summary of the changes in loans receivable during 2001 follows:

	Balance 12/31/00	New Loans	Repayments	Balance 12/31/01
General Fund				
Airport	\$440,800	\$0	\$6,094	\$434,706
Fair Board	100,000	0	40,000	60,000
Total General Fund	540,800	0	46,094	494,706
Special Revenue Funds				
CHIP/HOME	233,777	88,349	0	322,126
CDBG Revolving Loan	93,511	0	0	93,511
Total Special Revenue Funds	327,288	88,349	0	415,637
Total Loans Receivable	\$868,088	\$88,349	\$46,094	\$910,343

NOTE 12 - FIXED ASSETS

A summary of the enterprise funds' and Riverview Industries' fixed assets at December 31, 2001, follows:

OTTAWA COUNTY

**Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001
(Continued)**

	County Home	Danbury Sewer Operations	Portage Catawba Water	Regional Water	Catawba Portage Sewer	Woodland Estates	Enterprise Fund	Component Unit
Land	\$0	\$674,035	\$0	\$929,874	\$2,704,067	\$90,693	\$4,398,669	\$0
Buildings	6,700,083	589,091	0	3,352,816	3,107,970	0	13,749,960	13,138
Improvements Other than Buildings	0	2,728,634	0	9,052,590	5,944,012	764,457	18,489,693	0
Water and Sewer Lines	0	25,686,810	0	46,021,808	19,972,547	2,071,928	93,753,093	0
Furniture and Fixtures	0	0	0	0	0	0	0	40,725
Equipment	1,660,233	1,944,107	90,368	11,073,337	8,584,756	768,312	24,121,113	38,527
Vehicles	115,899	140,742	58,676	295,720	170,211	0	781,248	43,691
	8,476,215	31,763,419	149,044	70,726,145	40,483,563	3,695,390	155,293,776	136,081
Less Accumulated								
Depreciation	(5,346,144)	(8,857,690)	(64,147)	(3,636,667)	(9,231,167)	(575,301)	(27,711,116)	(57,013)
Net Fixed Assets	\$3,130,071	\$22,905,729	\$84,897	\$67,089,478	\$31,252,396	\$3,120,089	\$127,582,660	\$79,068

A summary of the changes in general fixed assets during 2001 follows:

	Balance 12/31/00	Additions	Reductions	Balance 12/31/01
Land	\$1,241,977	\$0	\$0	\$1,241,977
Buildings	13,676,059	0	0	13,676,059
Improvements Other than Buildings	281,439	0	0	281,439
Equipment	5,767,705	331,356	236,567	5,862,494
Vehicles	2,383,874	114,828	102,802	2,395,900
Construction in Progress	322,851	2,435,974	0	2,758,825
Total	\$23,673,905	\$2,882,158	\$339,369	\$26,216,694

NOTE 13 - INTERFUND ASSETS AND LIABILITIES

Interfund balances at December 31, 2001, consisted of the following individual fund receivables and payables:

Fund Type/Fund	Receivable		Payable	
	Interfund	Due from	Interfund	Due to
General Fund	\$633,299	\$52,000	\$20,061	\$7,042
Special Revenue Funds				
MVGT	0	1,675	0	0
Dog	0	0	0	312

(Continued)

OTTAWA COUNTY

**Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001
(Continued)**

Fund Type/Fund	Receivable		Payable	
	Interfund	Due from	Interfund	Due to
Ditch Maintenance	0	0	1,068	0
Human Services	0	5,257	0	11,350
MRDD	0	2,200	0	0
Children's First	0	0	5,000	0
HUD	0	0	39,714	0
Hazard Mitigation	0	0	3,413	0
OCTA	0	4,552	0	0
Common Pleas Security	0	0	0	52,000
CHIP/HOME	0	0	153,329	0
CDBG Revolving Loan	0	0	26,150	8,261
Common Pleas Computer	0	0	2,236	0
Radio Tower	210	0	0	0
911	1,019	0	0	0
Total Special Revenue Funds	1,229	13,684	230,910	71,923
Debt Service Funds				
General Obligation Bond Retirement	9	4,909	0	0
Special Assessment Bond Retirement	20	0	11,417	0
BANS Debt Service	183	0	0	0
Total Debt Service Funds	212	4,909	11,417	0
Capital Projects Funds				
Roose Ditch	0	0	10,203	0
Lohrbach Ditch	0	0	14,019	0
Technical Center	1,266	0	0	0
Locust Point	0	0	131,081	0
Winters Ditch	0	0	127,804	0
Total Capital Projects Funds	1,266	0	283,107	0
Enterprise Funds				
County Home	441	0	0	912
Danbury Sewer Operations	5,249	0	0	625
Regional Water	8,520	0	4,912	0
Catawba Portage Sewer	3,059	0	0	0
Woodland Estates	85	0	0	0
Total Enterprise Funds	17,354	0	4,912	1,537
Internal Service Fund				
Self-Insurance	0	0	102,953	0
Agency Funds				
Soil and Water Conservation	0	0	0	4,909
District Board of Health	0	14,818	0	0
Total Agency Funds	0	14,818	0	4,909
Total All Funds	\$653,360	\$85,411	\$653,360	\$85,411

OTTAWA COUNTY

**Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001
(Continued)**

NOTE 14 - RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2001, the County contracted with the County Risk Sharing Authority, Inc. (CORSA) for insurance coverage. The CORSA program has a \$2,500 deductible. Coverage provided by CORSA is as follows:

General Liability	\$100,000,000
Employee Benefit Liability	6,000,000
Law Enforcement Professional Liability	6,000,000
Public Officials Errors and Omissions Liability	6,000,000
Automobile Liability	6,000,000
Uninsured Motorists Liability	250,000
Ohio Stop Gap (Additional Workers' Compensation Coverage)	1,000,000
Building and Contents	78,549,077
Other Property Insurance:	
Extra Expense	1,000,000
Contractors Equipment	1,311,397
Valuable Papers and Records	1,000,000
Watercraft	645,008
Miscellaneous Floaters	82,553
Automobile Physical Damage	Actual Cash Value
Flood and Earthquake	100,000,000
Comprehensive Boiler and Machinery	100,000,000
Crime Insurance:	
Faithful Performance	1,000,000
Money and Securities	1,000,000
Depositor's Forgery	1,000,000
Money Order and Counterfeit Paper	1,000,000

There has been no significant reduction in insurance coverage from 2000, and settled claims have not exceeded this coverage in the past three years. The County pays all elected officials' bonds by statute.

Workers' Compensation coverage is provided by the State of Ohio. The County pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

The County provides employee medical coverage through a self insured program. The County established a Self-Insurance fund (an internal service fund) to account for and finance employee health benefits. Under this program, the Self-Insurance fund provides coverage up to a maximum of \$125,000 for each individual. The County purchases commercial insurance for claims in excess of coverage provided by the fund and for all other risks of loss. Settled claims have not exceeded this commercial coverage in the past three years.

All funds of the County participate in the program and make payments to the Self-Insurance fund based on actuarial estimates of the amounts needed to pay prior- and current-year claims. Claims payable is based on the requirements of Governmental Accounting Standards Board Statement No. 30, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", which requires that a liability for

OTTAWA COUNTY

**Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001
(Continued)**

unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Claims payable at December 31, 2001, are estimated by the third party administrator at \$793,074.

The changes in the claims liability for 2001 and 2000 were:

Year	Beginning Balance	Current-Year Claims and Changes in Estimates	Claims Payments	Ending Balance
2001	\$220,609	\$3,059,395	\$2,486,930	\$793,074
2000	304,027	2,271,836	2,355,254	220,609

NOTE 15 - SIGNIFICANT CONTRACTUAL COMMITMENTS

The County had the following contractual commitments outstanding as of December 31, 2001:

Contractor	Commitment	Remaining Balance
Poggemeyer Design Group	\$6,885,735	\$656,471
Brooks Contracting	1,865,600	203,716
D & G Focht	471,480	471,480
Warner Construction	261,480	261,480

NOTE 16 - DEFINED BENEFIT PENSION PLANS

All County employees participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members, other than those engaged in law enforcement, are required to contribute 8.5 percent of their annual covered salary to fund pension obligations and the County is required to contribute 13.55 percent; 9.25 percent was the portion used to fund pension obligations for 2001, an increase from 6.54 percent in 2000. For law enforcement employees, the employee contribution is 10.1 percent of their annual covered salary for sheriffs and deputy sheriffs and 9 percent for all other members of the law enforcement program. (In January 2001, HB416 split the law enforcement program into two divisions; (1) sheriffs, deputy sheriffs, and township police and (2) the public safety division made up of all other members of the law enforcement program.) The employer contribution for all law enforcement

OTTAWA COUNTY

**Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001
(Continued)**

employees is 16.7 percent; 12.4 percent was the portion used to fund pension obligations, an increase from 11.4 percent for 2000. For 2000, PERS instituted a temporary employer rate rollback. Contributions are authorized by State statute. The contribution rates are determined actuarially. The County's contributions to PERS for the years ended December 31, 2001, 2000, and 1999, were \$1,694,909, \$1,943,512, and \$2,315,537, respectively; 76 percent has been contributed for 2001 and 100 percent has been contributed for 2000 and 1999. The unpaid contribution for 2001 is recorded as a liability in the respective funds and the general long-term obligations account group.

NOTE 17 - POSTEMPLOYMENT BENEFITS

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employers". A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The employer contribution rate for 2001 was 13.55 percent of covered payroll for employees not engaged in law enforcement; 4.3 percent was the portion used to fund health care. The employer contribution rate for law enforcement employees for 2001 was 16.7 percent; 4.3 percent was used to fund health care.

Benefits are advance funded using the entry age normal cost method. Significant actuarial assumptions include a rate of return on investments of 7.75 percent, an annual increase in active employee total payroll of 4.75 percent compounded annually, and an additional increase in total payroll of .54 percent to 5.1 percent based on additional pay increases. Health care premiums were assumed to increase 4.75 percent annually.

OPEB are financed through employer contributions and investment earnings. All investments are carried at market value. 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.

At December 31, 2001, the total number of benefit recipients eligible for OPEB through the PERS was 411,076. As of December 31, 2001, the actuarial value of net assets available for future OPEB payments was \$11,735.9 million. The actuarially accrued liability and the unfunded actuarial liability were \$14,364.6 million and \$2,628.7 million, respectively. The County's actual contributions for 2001 which were used to fund OPEB were \$761,093.

NOTE 18 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences:

County employees earn vacation and sick leave at varying rates depending on length of service and department policy. Currently, employees are not permitted to accrue or carry over more than the equivalent of three year's vacation leave. All accumulated unused vacation time is paid upon separation from the County.

OTTAWA COUNTY

**Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001
(Continued)**

The County's current severance policy was established in August 1997. Pre-August 1997 employees with five years of service with the County, the State, or other Ohio political subdivision had the option to choose the old or new policy. Employees hired after August 1997 must use the new policy.

The pre-August 1997 policy provides for employees to receive the greater of 25 percent of their accumulated unused sick leave up to a maximum of thirty days or a set number of days corresponding to their years of service. The post-August 1997 policy provides for employees to receive from 25-50 percent of their accumulated unused sick leave based on years of service.

B. Employee Health Insurance:

Ottawa County provides employee medical benefits through a self insured program. The employees share the cost of the monthly premium with the County. The premium varies with each employee depending on marital and family status. Coverage is provided up to a maximum of \$125,000 per individual. The County purchases commercial insurance for claims in excess of this coverage. All claims under the plan are administered by the County's third-party administrator.

NOTE 19 - SHORT-TERM OBLIGATIONS

The changes in the County's short-term obligations during 2001 were as follows:

	<u>Interest Rate</u>	<u>Balance 12/31/00</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/01</u>
<u>Bond Anticipation Notes</u>					
General Fund					
2000 Airport Improvement	4.70%	\$436,850	\$0	\$436,850	\$0
2001 Airport Improvement	2.24	0	457,266	0	457,266
Total General Fund		<u>436,850</u>	<u>457,266</u>	<u>436,850</u>	<u>457,266</u>
Capital Projects Funds					
2000 Community Resource Center	4.70%	\$2,813,150	\$0	\$2,813,150	\$0
2001 Community Resource Center	2.24	0	3,292,734	0	3,292,734
Total Capital Projects Funds		<u>2,813,150</u>	<u>3,292,734</u>	<u>2,813,150</u>	<u>3,292,734</u>
Total Bond Anticipation Notes		<u>\$3,250,000</u>	<u>\$3,750,000</u>	<u>\$3,250,000</u>	<u>\$3,750,000</u>

According to Ohio law, notes can be issued in anticipation of bond proceeds, special assessment bond proceeds and levies, or for up to 50 percent of anticipated revenue collections. The liability is presented in the fund receiving the proceeds. The County's bond anticipation notes are supported by the full faith and credit of Ottawa County and have a maturity of one year.

OTTAWA COUNTY

**Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001
(Continued)**

NOTE 20 - LONG-TERM OBLIGATIONS

The changes in the County's long-term obligations during 2001 were as follows:

	Interest Rate	Balance 12/31/00	Additions	Reductions	Balance 12/31/01
<u>General Long-Term Obligations</u>					
General Obligation Bond					
Anticipation Notes					
2000 Various Purpose	4.60%	\$1,245,000	\$0	\$1,245,000	\$0
2001 Various Purpose	3.75	0	1,095,000	0	1,095,000
Total General Obligation Bond		1,245,000	1,095,000	1,245,000	1,095,000
Anticipation Notes					
General Obligation Bonds					
Courthouse Construction	9.75	100,000	0	25,000	75,000
Detention Facility	9.75	115,000	0	30,000	85,000
Welfare	9.75	110,000	0	15,000	95,000
Welfare Building Refunding	4.25-5.5	181,000	0	12,000	169,000
Agriculture Building	4.25-5.5	1,035,000	0	60,000	975,000
Industrial Park Improvement	3.0-5.95	725,000	0	25,000	700,000
Airport Improvement	3.0-5.95	535,000	0	20,000	515,000
County/City Complex	3.0-5.95	1,455,000	0	50,000	1,405,000
Total General Obligation Bonds		4,256,000	0	237,000	4,019,000
OWDA Loans					
OWDA Dani-Donn	5.54%	45,632	0	1,478	44,154
OWDA/OEPA Regional Water	4.02	17,645,068	0	610,364	17,034,704
Total OWDA Loans		17,690,700	0	611,842	17,078,858
Special Assessment Bonds					
Sun Valley	7.00	60,000	0	10,000	50,000
Lake in the Woods Refunding	4.25-5.5	158,000	0	17,000	141,000
Catawba Sewer Refunding	4.25-5.5	6,945,000	0	510,000	6,435,000
SR 163 Refunding	4.25-5.5	171,000	0	12,000	159,000
Route 269 Sewer Refunding	4.25-5.5	57,000	0	4,000	53,000
LaCarne Water	7.00	25,000	0	2,200	22,800
Gypsum Sewer	4.50	84,500	0	5,600	78,900
Perryview Estates Plat 5 & 6	6.13	126,155	0	3,496	122,659
Total Special Assessment Bonds		7,626,655	0	564,296	7,062,359

OTTAWA COUNTY

**Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001
(Continued)**

Other Long-Term Obligations					
Compensated Absences Payable		1,141,887	0	45,275	1,096,612
Due to Other Governments		0	6,703	0	6,703
Capital Leases Payable		0	10,106	2,252	7,854
Total Other Long-Term Obligations		<u>1,141,887</u>	<u>16,809</u>	<u>47,527</u>	<u>1,111,169</u>
Total General Long-Term Obligations		<u>31,960,242</u>	<u>1,111,809</u>	<u>2,705,665</u>	<u>30,366,386</u>
<u>Enterprise Fund Obligations</u>					
General Obligation Bonds					
County Home					
Health Care Facility	9.75	400,000	0	100,000	300,000
County Home Improvement	4.25	3,755,000	0	185,000	3,570,000
County Home Refunding	4.25	710,000	0	56,000	654,000
Regional Water					
Rural Development	4.75	1,976,700	0	24,400	1,952,300
Portage Catawba Water					
1998 Various Purpose Refunding	4.25	314,000	0	24,000	290,000
Catawba Portage Sewer					
Chemical Dosing Station	4.70	260,000	0	10,000	250,000
1998 Sanitary Sewer Refunding	5.00	4,485,770	18,362	0	4,504,132
1998 Various Purpose Refunding	4.25	374,000	0	25,000	349,000
Total General Obligation Bonds		<u>12,275,470</u>	<u>18,362</u>	<u>424,400</u>	<u>11,869,432</u>
General Obligation Revenue Bonds					
Danbury Sewer Operations					
Sanitary Sewer System Refunding	4.95%	5,456,625	0	395,000	5,061,625
Catawba Portage Sewer					
Sanitary Sewer Revenue Refunding	4.25	3,210,000	0	130,000	3,080,000
Total General Obligation Revenue Bonds		<u>8,666,625</u>	<u>0</u>	<u>525,000</u>	<u>8,141,625</u>
Ohio Water and Sewer Loans					
Danbury Sewer Operations	0.00	115,858	0	0	115,858
Portage Catawba Water	0.00	104,525	0	0	104,525
Catawba Portage Sewer	0.00	15,985	0	0	15,985
Regional Water	0.00	1,097,547	0	0	1,097,547
Camp Perry Western Road	0.00	0	37,929	9,105	28,824
Total Ohio Water and Sewer Loans		<u>1,333,915</u>	<u>37,929</u>	<u>9,105</u>	<u>1,362,739</u>
OWDA Loans					
Danbury Sewer Operations	3.04	1,184,050	0	54,119	1,129,931
Regional Water	2.00	29,054,763	0	955,048	28,099,715
Camp Perry Western Road	5.74	0	17,145	0	17,145
Total OWDA Loans		<u>30,238,813</u>	<u>17,145</u>	<u>1,009,167</u>	<u>29,246,791</u>

OTTAWA COUNTY

**Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001
(Continued)**

OPWC Loans					
Danbury Sewer Operations #CE340	4.00	336,566	0	22,348	314,218
Danbury Sewer Operations #CE004	0.00	157,010	0	8,487	148,523
Allen Sewer Operations	0.00	21,307	0	1,152	20,155
Portage Catawba Hydrogen Sulfide Control	4.00	130,697	0	7,126	123,571
Total OPWC Loans		645,580	0	39,113	606,467
OEPA Loans					
Regional Water	4.02	3,220,750	0	111,894	3,108,856
Other Long Term Obligations					
Compensated Absences Payable		139,995	234,286	0	374,281
Total Enterprise Fund Obligations		56,521,148	307,722	2,118,679	54,710,191
Total Long-Term Obligations		\$88,481,390	\$1,419,531	\$4,824,344	\$85,076,577

Notes Payable

Bond anticipation notes are supported by the full faith and credit of Ottawa County. The County's long-term bond anticipation notes are presented in the general long-term obligations account group and are payable from unvoted property tax revenues.

General Obligation Bonds

General obligation bonds are supported by the full faith and credit of Ottawa County. The general obligation bonds presented as a liability in the general long-term obligations account group are payable from unvoted property tax revenues to the extent that other resources are not available to meet annual principal and interest payments.

Special Assessment Bonds

The special assessment bonds are backed by the full faith and credit of Ottawa County. In the event that an assessed property owner fails to make payments or insufficient amounts are assessed to fund the debt, the County will be required to pay the related debt.

Compensated Absences Payable

The compensated absences liability will be paid from the fund from which the employees' salaries are paid.

Due to Other Governments

The due to other governments' liability, representing the County's contractually required pension contributions, will be paid from the fund from which the employees' salaries are paid.

Capital Leases Payable

Capital lease obligations will be paid from the fund that maintains custody of the related asset.

General Obligation Revenue Bonds

The general obligation revenue bonds are liabilities of the Danbury Sewer Operations and Catawba Portage Sewer enterprise funds and pledge their respective revenues for repayment. The bonds also

OTTAWA COUNTY

Notes to the General Purpose Financial Statements For the Year Ended December 31, 2001 (Continued)

pledge the full faith and credit and taxing ability of the County in the event that the enterprise funds' revenues are not sufficient to meet the principal and interest requirements.

In prior years, the County defeased certain general obligation revenue bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included on the County's financial statements. At December 31, 2001, \$12,730,000 of this debt was still outstanding.

Enterprise Funds General Obligation Bonds

The enterprise funds general obligation bonds are liabilities of the County Home, Regional Water, Portage Catawba Water and Catawba Portage Sewer enterprise funds. The bonds pledge the full faith and credit and taxing ability of the County to meet the principal and interest requirements.

OWDA Loans

OWDA loans consist of money owed to the Ohio Water Development Authority for the Danbury Sewer Operations, Regional Water, and Camp Perry Western Road projects. OWDA loans are payable solely from special assessments and the gross revenues of the regional water operations.

Ohio Water and Sewer Loans

The Ohio Water and Sewer Loans were provided to the County for the deferral of special assessment collections on agriculture land. The loan principal is being deferred as long as the land is used for agriculture purposes. If the land is ever used for other than agriculture purposes, the loan is due and payable, the special assessments are then due and collectible by the County, and the monies collected are to be remitted to the Ohio Water and Sewer Rotary Commission (OWSRC) within one year of collection. The loans are non-interest bearing as long as the land is used for agriculture purposes. If the land is ever used for other than agriculture purposes and the required special assessments are not remitted to OWSRC, the loans become interest bearing at an interest rate to be determined by OWSRC.

OPWC Loans

OPWC loans consist of money owed to the Ohio Public Works Commission for the improvement and replacement of sanitary sewers in the Danbury and Allen Sewer area. OPWC loans are payable solely from the gross revenues of the Danbury Sewer Operations and Woodland Estates enterprise funds.

OEPA Loans

OEPA loans consist of money owed to the Ohio Environmental Protection Agency (OEPA) for the Regional Water Project. OEPA loans are payable from revenues from the Regional Water enterprise fund.

The Ohio Revised Code provides that net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors should not exceed 1 percent of the total assessed valuation of the County. The Revised Code further provides that the total voted and unvoted net debt of the County less the same exempt debt should not exceed a sum equal to 3 percent of the first \$100,000,000 of assessed valuation, plus 1.5 percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus 2.5 percent of such valuation in excess of \$300,000,000.

At December 31, 2001, the County's overall debt margin was \$148,203,334 with an unvoted debt margin of \$73,409,365.

OTTAWA COUNTY

**Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001
(Continued)**

Principal and interest requirements to retire general long-term obligations outstanding at December 31, 2001, were as follows:

Year	General Obligation Bonds		Special Assessment Bonds	
	Principal	Interest	Principal	Interest
2002	\$242,000	\$229,775	\$1,221,763	\$1,010,673
2003	252,000	215,072	1,271,987	959,511
2004	257,000	199,761	1,319,079	906,253
2005	207,000	184,319	1,381,283	851,039
2006	221,000	173,815	1,435,942	793,231
2007-2011	1,245,000	680,726	8,003,093	2,996,901
2012-2016	1,135,000	324,601	5,213,586	1,463,963
2017-2021	460,000	41,353	4,294,484	353,859
	<u>\$4,019,000</u>	<u>\$2,049,422</u>	<u>\$24,141,217</u>	<u>\$9,335,430</u>

Principal and interest requirements to retire the long-term obligations outstanding at December 31, 2001, from the enterprise funds were as follows:

Year	General Obligation Revenue Bonds		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2002	\$545,000	\$359,637	\$417,238	\$657,939
2003	570,000	333,156	434,438	631,984
2004	378,292	522,049	450,738	605,081
2005	374,275	528,327	358,038	577,266
2006	377,594	535,096	385,438	549,765
2007-2011	2,731,464	1,804,134	2,267,590	2,407,623
2012-2016	2,240,000	504,825	1,915,890	1,730,551
2017-2021	730,000	161,000	945,390	1,361,750
2022-2026	195,000	9,750	1,843,990	1,039,238
2027-2031	0	0	2,526,982	477,065
2032-2034	0	0	323,700	31,232
	<u>\$8,141,625</u>	<u>\$4,757,974</u>	<u>\$11,869,432</u>	<u>\$10,069,494</u>

OTTAWA COUNTY

**Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001
(Continued)**

Year	OWDA Loans		OPWC Loans		OEPA Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2002	\$1,030,160	\$596,416	\$40,302	\$17,208	\$115,996	\$123,822
2003	1,051,607	575,696	41,542	15,969	120,706	119,112
2004	1,073,268	554,034	42,830	14,681	125,607	114,211
2005	1,095,382	531,920	44,172	13,339	130,707	109,111
2006	1,117,961	509,341	45,566	11,944	136,014	103,804
2007-2011	5,945,374	2,191,139	250,815	36,739	767,535	431,555
2012-2016	6,585,201	1,551,316	117,143	3,489	936,540	262,550
2017-2021	6,916,676	861,009	24,097	0	775,751	63,612
2022-2026	4,431,162	177,995	0	0	0	0
	<u>\$29,246,791</u>	<u>\$7,548,866</u>	<u>\$606,467</u>	<u>\$113,369</u>	<u>\$3,108,856</u>	<u>\$1,327,777</u>

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

	<u>Amount of Issue</u>	<u>Amount Outstanding at 12/31/01</u>
Adrian Sand and Stone Inc.	\$5,000,000	\$2,925,000
Luther Home of Mercy	5,100,000	4,485,000
Otterbein Home	67,960,000	65,980,000
Ottawa Residential Services	4,043,000	4,043,000
Magruder Hospital	4,000,000	3,605,000

The County is not obligated in any way to pay debt and related charges on industrial revenue bonds, and therefore, they have been excluded entirely from the County's debt presentation. There has not been and there is not currently any condition of default under the bonds or the related financing documents.

Riverview Industries entered into a non-interest bearing loan agreement with the Ottawa County Board of Mental Retardation and Developmental Disabilities (MRDD). The outstanding balance of the loan at December 31, 2001, was \$58,851. A repayment schedule for the loan has not been established.

NOTE 21 - CAPITAL LEASES - LESSEE DISCLOSURE

The County and Riverview Industries have entered into capitalized leases for equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. New capital leases are reflected in the accounts "Capital Outlay" and "Inception of Capital Lease" in the funds which will be making the lease payments. Capital lease payments are reflected as debt service expenditures on the combined financial statements for governmental funds. Equipment acquired by lease has been capitalized in the general fixed assets account

OTTAWA COUNTY

**Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001
(Continued)**

group, in the amount of \$10,106. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in 2001 were \$2,252 in the governmental funds and \$2,189 in the component unit.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2001.

Year	GLTOAG	Riverview Industries
2002	\$3,255	\$3,617
2003	3,255	3,936
2004	1,627	4,284
2005	0	4,663
2006	0	2,601
Total	8,137	19,101
Less Amount Representing Interest	(283)	(290)
Present Value of Minimum Lease Payments	<u>\$7,854</u>	<u>\$18,811</u>

NOTE 22 - FEDERAL FOOD STAMP PROGRAM

The County's Department of Job and Family Services distributes federal food stamps to entitled recipients within Ottawa County. The receipt and issuance of these stamps have the characteristics of federal "grants"; however, the Department of Job and Family Services merely acts in an intermediary capacity.

The inventory value of these stamps is not reflected in the accompanying combined financial statements as the only economic interest related to these stamps rests with the ultimate recipient. Federal food stamp activity for the year was as follows:

Balance at Beginning of Year	\$42,396
Amount Received for Distribution	0
Amount Distributed to Entitled Recipients	(7,349)
Balance at End of Year	<u>\$35,047</u>

OTTAWA COUNTY

**Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001
(Continued)**

NOTE 23 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The County maintains six enterprise funds which are intended to be self-supporting through user fees charged for services provided for care for the elderly and to operate sewer and water districts. Financial segment information for the year ended December 31, 2001, was as follows:

	County Home	Danbury Sewer Operations	Portage Catawba Water	Regional Water	Catawba Portage Sewer	Woodland Estates	Total Primary Government
Operating Revenues	\$9,787,457	\$2,056,593	\$0	\$4,025,049	\$1,752,612	\$1,711	\$17,623,422
Depreciation	373,826	592,834	0	1,554,062	966,193	88,220	3,575,135
Operating Income (Loss)	(227,518)	590,227	(44,544)	661,453	(367,451)	(99,548)	512,619
Property Taxes	633,955	0	0	0	0	0	633,955
Grants	83,078	0	0	19,269	0	0	102,347
Current Capital Contributions	0	0	0	345,041	769,747	25,662	1,140,450
Operating Transfers - In	441	5,249	38,424	197,882	18,441	85	260,522
Operating Transfers - Out	0	0	80,612	225,245	0	0	305,857
Net Income (Loss)	218,904	405,871	(100,818)	395,191	22,259	(83,404)	858,003
Fixed Asset Additions	25,902	20,648	0	467,827	785,102	25,662	1,325,141
Fixed Asset Reductions	19,323	60,547	8,206	3,887	19,493	4,813	116,269
Net Working Capital	2,345,987	929,227	(14,490)	3,492,144	819,299	42,815	7,614,982
Long-Term Obligations							
Compensated Absences Payable	222,643	33,017	0	66,035	35,220	54	356,969
General Obligation Bonds Payable	4,173,000	324,000	266,000	1,926,700	4,762,494	0	11,452,194
General Obligation Revenue Bonds Payable	0	4,646,625	0	0	2,950,000	0	7,596,625
Ohio Water and Sewer Loans Payable	0	115,858	104,525	1,126,371	15,985	0	1,362,739
OWDA Loans Payable	0	1,074,154	0	27,142,477	0	0	28,216,631
OPWC Loans Payable	0	431,003	0	0	116,157	19,005	566,165
OEPA Loans Payable	0	0	0	2,992,860	0	0	2,992,860
Total Assets	6,557,632	25,969,204	98,495	72,203,305	33,238,088	4,109,688	142,176,412
Total Equity	547,438	18,663,164	(300,116)	37,327,174	24,984,863	4,088,720	85,311,243
Encumbrances Outstanding at Year End (Budget Basis)	461,652	626,887	0	165,503	259,339	10,460	1,523,841

OTTAWA COUNTY

**Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001
(Continued)**

NOTE 24 - JOINT VENTURES

A. Joint Solid Waste District

The County is a member of the Joint Solid Waste District (the District), which is a joint venture between Ottawa, Sandusky, and Seneca Counties. The purpose of the District is to make disposal of waste in the three-county area more comprehensive in terms of recycling, incinerating, and landfilling. The District was created in 1989. The District is governed and operated by the three counties and its existence is dependent upon the continued participation of the counties. A nine member Board of Directors, comprised of three commissioners from each county, are responsible for the District's financial matters. Financial records are maintained by the Sandusky County Auditor. The Ottawa County Commissioners budget for the District with Board approval. The District's sole revenue source is derived from a waste disposal fee for in-district and out-of-district waste. A sixteen member policy committee, comprised of five members from each county and one at-large member appointed by the Board of Directors, is responsible for preparing the solid waste management plan of the District in conjunction with a sixteen-member technical advisory council (members appointed by the policy committee). As of December 31, 2001, the County's equity interest in the Joint Solid Waste District was \$422,216. Financial information can be obtained from William Farrell, Sandusky County Auditor, 100 North Park Avenue, Fremont, Ohio, 43420.

B. Alcohol, Drug Addiction, and Mental Health Services Board

The Alcohol, Drug Addiction, and Mental Health Services Board (ADAMHS) is a joint venture between Ottawa and Erie Counties. The joint venture was formed to provide mental health education, consultation, training, and referral services to the public. Each county supports the joint venture through a tax levy. The ADAMHS is controlled by a board whose membership consists of five appointees from the State Board of Mental Health, six appointees from Ottawa County, and nine appointees from Erie County. During 2001, the County contributed \$153,510 to ADAMHS. Financial information can be obtained from Jude Hammond, Erie County Auditor, 247 Columbus Avenue, Sandusky, Ohio, 44870.

C. Regional Airport Authority

The Regional Airport Authority (the Airport Authority) is a joint venture between Ottawa and Erie Counties. The Airport Authority was formed to provide maintenance of runways and taxiways at the Airport facility. The Airport Authority operates under the direction of a seven-member board of trustees. Three members are appointed by the County Commissioners in each county. The seventh member is appointed at large by the other six. The members serve without compensation as outlined in Section 308.04 of the Ohio Revised Code. During 2001, the County provided \$89,667 for airport operations. Financial information for the Airport Authority can be obtained from Valerie Gregory, Secretary, 3255 East State Road, Port Clinton, Ohio 43452.

OTTAWA COUNTY

**Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001
(Continued)**

NOTE 25 - JOINTLY GOVERNED ORGANIZATION

The County participates in the Ottawa County Regional Planning Commission, which is a statutorily created political subdivision of the State. The Commission is jointly governed among Ottawa County, the City of Port Clinton, seven villages, and twelve townships within the County. Each member's control over the operation of the Commission is limited to its representation on the Board of Trustees. The Commission makes studies, maps, plans, recommendations, and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the County. In 2001, the County contributed \$108,014 to the Regional Planning Commission.

NOTE 26 - INSURANCE POOL

The County Risk Sharing Authority, Inc. (CORSA) is a jointly governed organization among thirty-nine counties in Ohio. CORSA was formed as an Ohio not-for-profit corporation for the purpose of establishing the CORSA Insurance/Self-Insurance Program, a group primary and excess insurance/self-insurance and risk management program. Member counties agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverages provided by CORSA.

Each member county has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of CORSA are managed by an elected board of not more than nine trustees. Only county commissioners of member counties are eligible to serve on the Board of Trustees. No county may have more than one representative on the Board of Trustees at any time. Each member county's control over the budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the Board of Trustees.

NOTE 27 - RELATED PARTY TRANSACTIONS

During 2001, Ottawa County provided facilities, certain equipment, transportation, and salaries for administration, implementation, and supervision of its programs to Riverview Industries. Riverview Industries, a discretely presented component unit of Ottawa County, reported \$77,225 for such contributions.

NOTE 28 - CONTINGENT LIABILITIES

The County has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the County Commissioners believe such disallowances, if any, will be immaterial.

Several other claims and lawsuits are pending against the County. In the opinion of the County Prosecuting Attorney, any potential liability would not have a material adverse effect on the financial statements.

OTTAWA COUNTY

**Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001
(Continued)**

NOTE 29 - SUBSEQUENT EVENTS

On February 12, 2002, the County issued bond anticipation notes, in the amount of \$645,000, to acquire and improve airport facilities. The notes have an interest rate of 1.98 percent and mature on December 3, 2002.

On February 12, 2002, the County issued bond anticipation notes, in the amount of \$800,000, to construct water system improvements. The notes have an interest rate of 1.98 percent and mature on February 12, 2003.

OTTAWA COUNTY

**Schedule of Federal Awards Expenditure
For the Year Ended December 31, 2001**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed Through Ohio Department of Development:</i>			
Community Development Block Grant - Small Cities CDBG Program - Formula	B-F-99-057-1	14.228	\$14,200
Small Cities CDBG Program - Formula	B-F-00-057-1		158,600
Small Cities CDBG Program - CHIP	B-C-98-057-1		49,038
Small Cities CDBG Program - CHIP	B-C-00-057-1		157,246
Total CDBG - Small Cities			<u>379,084</u>
Home Investment Partnerships Program	B-C-98-057-2	14.239	268
Home Investment Partnerships Program	B-C-00-057-2		209,150
Total CDBG - Home Program			<u>209,418</u>
<i>Direct</i>			
EDI Special Project Rocky Ridge Sidewalks	B-01-SP-OH-0499	14.246	745
Total Department of Housing and Urban Development			<u>589,247</u>
UNITED STATES DEPARTMENT OF JUSTICE			
<i>Passed Through Ohio Attorney General's Office</i>			
Crime Victims Assistance	2001VAGENE248	16.575	8,424
<i>Passed Through Erie County</i>			
Edward Byrne Memorial Grant	2000-DG-A01-7005	16.579	43,126
Total Department of Justice			<u>51,550</u>
UNITED STATES DEPARTMENT OF LABOR			
<i>Passed Through Ohio Department of Job and Family Services</i>			
Employment and Training Administration (WIA)		17.255	689,733
Total Department of Labor			<u>689,733</u>
UNITED STATES DEPARTMENT OF FEDERAL TRANSIT ADMINISTRATION			
<i>Passed Through Ohio Department of Transportation</i>			
Public Transportation in Non Urbanized Areas	OH-18-X020	20.509	137,663
Total Department of Federal Transit Administration			<u>137,663</u>
UNITED STATES DEPARTMENT OF FEDERAL EMERGENCY MANAGEMENT			
<i>Passed Through Ohio Department of Public Safety</i>			
Emergency Management Agency	J236	83.534	32,800
Elevation Project	FEMA-DR-1227-0021-OH	83.548	107,698
Total Department of Federal Emergency Management			<u>140,498</u>

(Continued)

OTTAWA COUNTY

**Schedule of Federal Awards Expenditure
For the Year Ended December 31, 2001
(Continued)**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed through Ohio Department of MRDD</i>			
Social Services Block Grant (Title XX)			
Board of Mental Retardation and Developmental Disabilities		93.667	42,087
Total Social Services Block Grant			<u>42,087</u>
Medical Assistance Program (Medicaid: Title XIX)			
Board of Mental Retardation and Developmental Disabilities		93.778	871,387
Total Social Services Block Grant			<u>871,387</u>
Total Department of Health and Human Services			<u>913,474</u>
TOTAL FEDERAL AWARDS EXPENDITURES			<u><u>\$2,522,165</u></u>

The accompanying notes are an integral part of this schedule.

OTTAWA COUNTY

Notes to the Schedule of Federal Awards Expenditures December 31, 2001

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the County's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B - COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS

The County administers a loan program with funds provided by the U.S. Department of Housing and Urban Development (HUD) through the Ohio Department of Development under two Community Development Block Grant Programs (CFDA 14.228 and CFDA 14.239). The purpose of these programs is to assist low to moderate income households with home improvements and assist first time home buyers. The initial loans of these funds are recorded as a disbursement on the accompanying Schedule of Federal Awards Expenditures. Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule. Loan agreements provide for liens to be filed against the property as collateral for the loans. As of December 31, 2001, the total amount of loans outstanding was \$415,637.

NOTE C - MATCHING REQUIREMENTS

Certain Federal programs require that the County contribute non-Federal funds (matching funds) to support the Federally-funded programs. The County has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

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

Ottawa County
315 Madison Street, Suite 103
Port Clinton, Ohio 43452-1993

To the Board of Commissioners:

We have audited the financial statements of Ottawa County (the County) as of and for the year ended December 31, 2001, and have issued our report thereon dated October 3, 2002, in which we noted the County changed the fund type classification of several funds and deleted a previously reported discretely presented component unit and is reporting that activity as part of the primary government. We did not audit the financial statements of Riverview Industries, Inc., a discretely presented component unit, which was audited by other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of Riverview Industries, Inc. were not audited in accordance with *Government Auditing Standards* and accordingly this report does not extend to that component unit.

Compliance

As part of obtaining reasonable assurance about whether County'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 audit 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*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the County in a separate letter dated October 3, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County'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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2001-60162-001, 2001-60162-002, 2001-60162-003, and 2001-60162-004.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. We also noted other matters involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to the management of the County in a separate letter dated October 3, 2002.

This report is intended for the information and use of management, the Board of County Commissioners, federal awarding agencies and pass-through entities, 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", with a large, stylized loop at the end.

Jim Petro
Auditor of State

October 3, 2002



STATE OF OHIO
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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Ottawa County
315 Madison Street, Suite 103
Port Clinton, Ohio 43452-1993

To the Board of Commissioners:

Compliance

We have audited the compliance of Ottawa County (the County) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2001. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2001. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings as items 2001-60162-005.

Internal Control Over Compliance

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

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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of management, the Board of County Commissioners, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Jim Petro
Auditor of State

October 3, 2002

OTTAWA COUNTY

**Schedule of Findings
OMB Circular A -133 §.505
December 31, 2001**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Community Development Block Grant CFDA #14.228 Workforce Investment Act CFDA #17.255
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

FINDING NUMBER 2001-60162-001

Reportable Condition

The Ottawa County Commissioners delegated the Riverview Nursing Home's billing responsibilities from January 2001 through November of 2001 to Professional Review Network Company, which is a significant accounting function, to a third-party administrator. The County had not established procedures to determine whether the service organization has sufficient controls in place and operating effectively to reduce the risk that Riverview Nursing Home billings have not been completely and accurately processed in accordance with the billing contract.

FINDING NUMBER 2001-60162-001
(Continued)

We recommend the County implement procedures to assure the completeness and accuracy (including eligibility and allowability) of billings for Riverview Nursing Home processed by its third-party administrator. Statement on Auditing Standards (SAS) No. 70, as amended, prescribes standards for reporting on the processing (i.e. control design and operation) of transactions by service organizations. An unqualified Tier II, "Report on Policies and Procedures Placed in Operation and Tests of Operating Effectiveness" in accordance with SAS No. 70, should provide the County with an appropriate level of assurance that Riverview Nursing Home billings are being processed in conformance with the contract.

We recommend the County specify in their contract with any third-party administrator that an annual Tier II SAS 70 audit report be performed. The County should be provided a copy of the SAS 70 report timely and should review the report's content. A SAS 70 audit report should be conducted in accordance with American Institute of Certified Public Accountants' (AICPA) standards by a firm registered and considered in "good standing" with the Accountancy Board of the respective State. If the third-party administrator refuses to provide the County with a Tier II SAS 70 report, we recommend the County contract with a third-party administrator that will provide such a report. Professional Review Network stopped billing for Riverview Nursing Home in December of 2001; however, in 2002 the Nursing Home is planning to contract out some of the billing which would apply to this recommendation.

FINDING NUMBER 2001-60162-002

Reportable Condition

1. The Sheriff's cashbook did not reconcile at December 31, 2001 due to several errors:
 - a. No listing of open Sheriff sale cases was being maintained. Thus; this information was not used as a reconciling item in the Sheriff's bank reconciliation.
 - b. There were several adjustments posted to the Sheriff's books that did not have any support attached. Also; one adjustment made to the bank was never reflected on the books.
 - c. Several of the outstanding checks listed on the monthly reconciliation were not outstanding. There were numerous checks that were written in one month that were voided several months later.
 - d. There was an immaterial difference between the bank and the Sheriff's records which could not be substantiated as to the origin of the difference.
 - e. There was one instance where the Sheriff's general account was charged with bank fees that were initially charged to the Sheriff's commissary and inmate account.
2. One individual had all the responsibility of receipting monies collected, posting receipts, preparing checks, vouchers, signing checks and reconciling the accounts. There was no monitoring of these procedures by some one independent of the preparer.

FINDING NUMBER 2001-60162-002
(Continued)

3. Several of the Sheriff's bank accounts, including Inmate, Commissary, and Drug Enforcement have had fees deducted by the bank. The Inmate and Commissary accounts are made up of individual subsidiary accounts. The balance of all the subsidiary accounts should agree with the total in the bank.
4. The Sheriff's department had purchased, through bidding, computer hardware, software, and other computer equipment during 2001. There was no listing provided of the hardware that was purchased which would include item name, description, serial number and value of purchase.

In order to prevent asset loss or misappropriation and to gain control and accuracy of the accounting of monies and fixed assets in the Sheriff's Department, we recommend.

1. Internal control procedures be established which would separate some of the accounting duties and a review of monthly reports, receipts, disbursements, open cases, bank reconciliation (viewing original documents to support bank balance and any adjustments), and verifying monthly pay ins to the County Treasurer by some one independent of the preparer.
2. No adjustments should be made to the cashbook unless they are documented and attached to the monthly bank reconciliation.
3. The Sheriff's department should request that banks handling bank accounts made up of individual accounts such as the Commissary and Inmate accounts waive all service charges or maybe look for another bank that would not be charging the service charges.
4. All equipment purchased or deleted should be documented clearly including description, serial number, date purchased/deleted, and value.

This recommendation was issued as a management letter comment in the audit of the 2000 financial statements.

FINDING NUMBER 2001-60162-003

Reportable Condition

We noted several errors on the County's fixed asset records including:

- Various items selected from the 2001 expenditure ledger were not included as additions to fixed assets and an addition sheet was not submitted by the department.
- While comparing auction records to the fixed asset deletion reports, it was noted that many items that were sold at the auction were never deleted from the County's fixed assets records.
- Vehicles listed on the County's insurance policies did not agree to the vehicles listed on the Annual Verification of Capitalized and Non Capitalized Fixed Asset report by department.
- No additions or deletions for 2001 were included for the Sheriff's department on the fixed asset reports, even though the expenditure ledger and vouchers show that several equipment and vehicle purchases were made during the audit period.

FINDING NUMBER 2001-60162-003
(Continued)

- A physical inventory was done by the Sheriff's Office in November of 2001. The inventory listing did not include completed information for the majority of the items.

To present an accurate fixed asset listing, we recommend the following corrective action:

- All departments should complete and return an addition to fixed assets form and submit it to the County Auditor when requesting payment for the invoice.
- The Auditor's Office should monitor invoices that are paid for inventory items to ensure that an addition form has also been submitted by the department.
- Each department should maintain accurate listings of items that have been sold or disposed of and submit an asset deletion form to the County Auditor's Office to inform them that the item should be removed from the asset listing.
- All departments should review vehicle inventory listings to ensure that they are up to date and that the listings agree to the vehicles that are included on the insurance policies. In addition, each department should review building, vehicle, equipment, listings and agree them to the County Auditor's records.

The Auditor's Office should work with the Sheriff's Office to reconcile the equipment and vehicle listings and to make any adjustments that are necessary.

This recommendation was issued as a management letter comment in the audit of the 2000 financial statements.

FINDING NUMBER 2001-60162-004

Reportable Condition

The Riverview Nursing Home has a listing of accounts receivable by resident that are due at the end of each month. Some of the amounts on the listing at December 31, 2001 could not be verified and some were inaccurate

The Nursing Home does not have an established policy in regard to 2nd and 3rd requests for bills that remain unpaid and does not have an established policy regarding writing off of old/uncollectible accounts.

To ensure an accurate accounts receivable balance, we recommend that the accounts receivable statement for each account be reviewed for accuracy and collectability.

We also recommend that the County Commissioners, along with consultation with the administration at the Riverview Nursing Home, adopt a policy on collection procedures and when accounts are considered uncollectible.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	2001-60162-005
CFDA Title and Number	Community Development Block Grant CFDA #14.228
Federal Award Number / Year	BF-00-057-1
Federal Agency	United States Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

Noncompliance Finding

A-102 Common Rule (24CFR 85.36) states that any contractor receiving individual awards for \$100,000 or more and all subrecipients must certify that the organization and its principals are not suspended or debarred.

The County Commissioners entered into a contract with A.V. Lake Construction in 2001 that was greater than \$100,000 for the construction of the Bay Township fire station. A.V. Lake Construction did not certify that the organization and its principals were not suspended or debarred. This could cause the Ottawa County Commissioner's to enter into an illegal contract. Although the ORPC staff checks the *List of Parties Excluded From Federal Procurement of Non-procurement Programs*, issued by the General Services Administration before entering into any contracts, the certification should be completed for any contracts over \$100,000 in order to meet this compliance requirement.

OTTAWA COUNTY

**Schedule of Prior Audit Findings
OMB Circular A -133 §.315 (b)
December 31, 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-60162-001	To ensure that matching requirements are met for the Community Alternative Funding Program (CAFS), we recommended that a policy outlining how the correct match will be calculated and documented. Policy should include an awareness that in-kind contributions cannot be used for the Medicaid matching.	Yes	



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FINANCIAL CONDITION

OTTAWA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 7, 2002