



**Auditor of State
Betty Montgomery**

OTTAWA COUNTY FINANCIAL CONDITION

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANT'S REPORT

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

To the Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of Ottawa County, Ohio (the County), as of and for the year ended December 31, 2003, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of Ottawa County, Ohio, as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General, Road and Bridge, Human Services, and Mental Retardation and Disabilities funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended December 31, 2003, the County implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

As described in Notes 3 and 10, during the year ended December 31, 2003, the County modified the capitalization threshold for capital assets.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2005, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to form opinions on the financial statements that collectively comprise the County's basic financial statements. The federal awards expenditure schedule is 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 basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Betty Montgomery
Auditor of State

April 15, 2005

FINANCIAL CONDITION OTTAWA COUNTY

Management's Discussion and Analysis For the Year Ended December 31, 2003

The discussion and analysis of Ottawa County's financial performance provides an overview of the County's financial activities for the year ended December 31, 2003. The intent of this discussion and analysis is to look at the County's financial performance as a whole.

Financial Highlights

Key financial highlights for 2003 are as follows:

- In total the County's net assets increased by \$5,394,085, or approximately 4 percent. Net assets of governmental activities increased \$2,523,398, or approximately 7 percent and net assets of business-type activities increased \$2,870,687, or approximately 3 percent.
- The General Fund reported a deficit this year of \$907,169, or approximately 21 percent of its beginning fund balance of \$4,317,585.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Ottawa County's financial position.

The statement of net assets and the statement of activities provide information about the activities of the County as a whole, presenting both an aggregate and a longer-term view of the County.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term and what remains for future spending. Fund financial statements report the County's most significant funds individually and the County's non-major funds in a single column. The County's major funds are the General; Road and Bridge; Human Services; Mental Retardation and Developmental Disabilities; General Bond Retirement; Special Assessment Bond; Riverview Nursing Home; Danbury Sewer; Regional Water; and Catawba Portage Sewer funds.

Reporting the County as a Whole

The statement of net assets and the statement of activities reflect how the County did financially during 2003. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

These statements report the County's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the County as a whole has increased or decreased from the prior year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. The causes of these changes may be the result of many factors, some financial, some not. Non-financial factors include the County's property tax base and the condition of the County's capital assets. These factors must be considered when assessing the overall health of the County.

In the statement of net assets and the statement of activities, the County is divided into three distinct types of activities.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**Management's Discussion and Analysis
For the Year Ended December 31, 2003
(Continued)**

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

Business-Type Activities - These services are provided on a charge for services basis and are intended to recover all or most of the costs of the services provided. The county nursing home and water and sewer services are reported here.

Component Unit - The County's financial statements include financial information for Riverview Industries. This component unit is more fully described in Note 1 to the basic financial statements.

Reporting the County's Most Significant Funds

Fund financial statements provide detailed information about the County's major funds, the General; Road and Bridge; Human Services; Mental Retardation and Developmental Disabilities; General Bond Retirement; Special Assessment Bond; Riverview Nursing Home; Danbury Sewer; Regional Water; and Catawba Portage Sewer funds. While the County uses many funds to account for its financial transactions, these are the most significant.

Governmental Funds - The County's governmental funds are used to account for essentially the same programs reported as governmental activities on the government-wide financial statements. Most of the County's basic services are reported in these funds and focus on how money flows into and out of the funds as well as the balances available for spending at year end. These funds are reported on the modified accrual basis of accounting which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services being provided.

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

Proprietary Funds - The County maintains two different types of proprietary funds. Enterprise funds use the accrual basis of accounting and are used to report the same functions presented as business-type activities on the government-wide financial statements. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's other programs and activities.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the County's programs. These funds also use the accrual basis of accounting.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**Management's Discussion and Analysis
For the Year Ended December 31, 2003
(Continued)**

Government-Wide Financial Analysis

Table 1 provides a summary of the County's net assets for 2003 compared to 2002.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Assets						
Current and Other Assets	\$ 48,599,023	\$ 47,359,323	\$ 18,637,931	\$ 16,999,630	\$ 67,236,954	\$ 64,358,953
Capital Assets, Net	29,874,282	28,660,535	127,268,858	127,262,954	157,143,140	155,923,489
<i>Total Assets</i>	<u>78,473,305</u>	<u>76,019,858</u>	<u>145,906,789</u>	<u>144,262,584</u>	<u>224,380,094</u>	<u>220,282,442</u>
Liabilities						
Current and Other Liabilities	10,591,239	8,439,116	3,737,382	3,175,563	14,328,621	11,614,679
Long-term Liabilities	30,679,509	32,901,583	51,449,090	53,237,391	82,128,599	86,138,974
<i>Total Liabilities</i>	<u>41,270,748</u>	<u>41,340,699</u>	<u>55,186,472</u>	<u>56,412,954</u>	<u>96,457,220</u>	<u>97,753,653</u>
Net Assets						
Invested in Capital Assets, net of related debt	24,072,823	22,070,989	78,067,380	76,217,601	102,140,203	98,288,590
Restricted	10,415,762	10,131,036	3,083,762	2,294,499	13,499,524	12,425,535
Unrestricted	2,713,972	2,477,134	9,569,175	9,337,530	12,283,147	11,814,664
<i>Total Net Assets</i>	<u>\$ 37,202,557</u>	<u>\$ 34,679,159</u>	<u>\$ 90,720,317</u>	<u>\$ 87,849,630</u>	<u>\$ 127,922,874</u>	<u>\$ 122,528,789</u>

As can be seen in the table above, there were few significant changes for either governmental or business-type activities from the prior year. There were, however, a few changes worth noting for governmental activities.

Current and other assets reflect an increase from the prior year of \$1.2 million. This is due largely to an increase in items due from other governments, including the addition of monies from the Department of Justice for Homeland Security. The property tax receivable is also considerably higher due to the triennial update cycle of the county's real estate parcels and the passage of a 1.4 mil Board of Mental Retardation levy. The increase in capital assets of \$1.2 million was due to the completion of construction projects which included the renovation of the courthouse and the Veterans Memorial Building, which now houses the Board of Elections, the Veterans Service Commission, and the Drug Task Force, as well as the completion of the Tech Centre and new purchases of \$0.6 million. The change in total assets was just over 3 percent.

Table 2 reflects the changes in net assets for 2003. Since this is the first year the County has prepared financial statements according to GASB Statement No. 34, revenue and expense comparisons to 2002 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**Management's Discussion and Analysis
For the Year Ended December 31, 2003
(Continued)**

Table 2
Change in Net Assets

	Governmental Activities 2003	Business-Type Activities 2003	Total 2003
Revenues			
Program Revenues			
Charges for Services	\$ 5,955,538	\$ 17,224,937	\$ 23,180,475
Operating Grants and Contributions	11,459,608	-	11,459,608
Capital Grants and Contributions	-	1,297,665	1,297,665
<i>Total Program Revenues</i>	<u>17,415,146</u>	<u>18,522,602</u>	<u>35,937,748</u>
General Revenues			
Property Taxes Levied for:			
General Operating	2,707,039	-	2,707,039
Health-Mental Retardation and Developmental Disabilities	3,014,220	-	3,014,220
Debt Service	217,610	-	217,610
Riverview Nursing Home	-	657,271	657,271
Permissive Sales Tax	4,674,252	-	4,674,252
Other Local Taxes	224,318	-	224,318
Grants and Entitlements not Restricted for Specific Programs	1,351,611	-	1,351,611
Interest	1,341,703	27,027	1,368,730
Other	1,794,566	608,341	2,402,907
<i>Total General Revenues</i>	<u>15,325,319</u>	<u>1,292,639</u>	<u>16,617,958</u>
<i>Total Revenues</i>	<u>32,740,465</u>	<u>19,815,241</u>	<u>52,555,706</u>
Transfers	<u>(25,736)</u>	<u>25,736</u>	<u>-</u>
<i>Total Revenues and Transfers</i>	<u>32,714,729</u>	<u>19,840,977</u>	<u>52,555,706</u>
Program Expenses			
General Government			
Legislative and Executive	4,255,902	-	4,255,902
Judicial	2,461,633	-	2,461,633
Public Safety			
Building Inspection	428,480	-	428,480
Sheriff	4,013,757	-	4,013,757
Other	1,426,906	-	1,426,906
Public Works	4,305,825	-	4,305,825
Health	520,858	-	520,858

(Continued)

**FINANCIAL CONDITION
OTTAWA COUNTY**

**Management's Discussion and Analysis
For the Year Ended December 31, 2003
(Continued)**

Table 2 (Continued)
Change in Net Assets

	Governmental Activities 2003	Business-Type Activities 2003	Total 2003
Human Services:			
Job and Family Services	3,394,246	-	3,394,246
Mental Retardation and Developmental Disabilities	4,128,964	-	4,128,964
Child Support Enforcement Agency	634,516	-	634,516
Other	3,215,292	-	3,215,292
Conservation and Recreation	124,145	-	124,145
Economic Development and Assistance	3,802	-	3,802
Other	4,655	-	4,655
Internal Service Fund – External Portion	38,071	-	38,071
Interest and Fiscal Charges	1,234,279	-	1,234,279
Riverview Nursing Home	-	8,605,928	8,605,928
Danbury Sewer	-	1,888,454	1,888,454
Regional Water	-	3,910,700	3,910,700
Catawba Portage Sewer	-	2,454,651	2,454,651
Other	-	110,557	110,557
<i>Total Expenses</i>	<u>30,193,334</u>	<u>16,972,293</u>	<u>47,163,624</u>
<i>Increase in Net Assets</i>	<u>\$ 2,521,395</u>	<u>\$ 2,868,684</u>	<u>\$ 5,392,082</u>

Program revenues for governmental activities represented 53 percent of total revenues, the greatest portion of which was operating grants and contributions. Both the health and human services programs receive a substantial amount of grant revenues. The public works program, primarily the Engineer, receives a substantial amount of resources from state levied shared motor vehicle license and gasoline taxes. The primary sources for the County's general revenues are from property and sales taxes.

As reflected in the above table, the programs having the greatest costs in 2003 include legislative and executive (which are the primary general government operations); the sheriff; public works (primarily the engineer); mental retardation and developmental disabilities, and job and family services. These programs account for over 67 percent of all governmental expenses.

The County's business-type activities are provided primarily through program revenues, primarily charges for services.

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted intergovernmental revenues and other general revenues. Comparisons to 2002 have not been made since they are not available for this year.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**Management's Discussion and Analysis
For the Year Ended December 31, 2003
(Continued)**

Table 3
Governmental Activities

	Total Cost of Services 2003	Net Cost of Services 2003
General Government		
Legislative and Executive	\$ 4,255,902	\$ 1,779,196
Judicial	2,461,633	1,259,305
Public Safety		
Building Inspection	428,480	(415)
Sheriff	4,013,757	3,683,010
Other	1,426,906	713,200
Public Works	4,305,825	(439,122)
Health	520,858	424,485
Human Services		
Job and Family Services	3,394,246	317,494
Mental Retardation and Developmental Disabilities	4,128,964	1,795,847
Child Support Enforcement Agency	634,516	(210,011)
Other Human Services	3,215,292	2,194,225
Conservation and Recreation	124,145	38,852
Economic Development	3,802	2,166
Other	4,655	4,655
Internal Service Fund-External Portion	38,071	(20,981)
Interest and Fiscal Charges	1,234,279	1,234,279
<i>Total Expenses</i>	<u><u>\$ 30,191,331</u></u>	<u><u>\$ 12,776,185</u></u>

The County's general revenues (primarily property taxes, sales taxes, and unrestricted grants and entitlements) support approximately 42 percent of the programs provided by the County. However, a review of the above table demonstrates that program revenues contributed significantly to several of the programs. For instance, approximately 58 percent of legislative and executive costs were provided for through charges for services. These charges are generally made up of fees and include items such as settlement fees, conveyance and transfer fees, and recording fees. A considerable portion of the public works program is provided through program revenues, primarily state levied shared motor vehicle license, and gasoline taxes. It is also worth noting that the building inspection department and public works are two programs which are covered by charges for services. Also, only 9 percent of the cost of running job and family services was not covered by program specific grants and entitlements.

Governmental Funds Financial Analysis

The County's major governmental funds are the General Fund; the Road and Bridge, Human Services, and Mental Retardation and Developmental and Disabilities special revenue funds; and the General Bond Retirement and Special Assessment Bond debt service funds.

The District's governmental funds reported a combined fund balance of \$11,979,382, which is lower than last year's total of \$13,588,657. The June 30, 2003 fund balances have been restated as described in

**FINANCIAL CONDITION
OTTAWA COUNTY**

**Management's Discussion and Analysis
For the Year Ended December 31, 2003
(Continued)**

Note 3.A. to the basic financial statements. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2003 and 2002.

	Fund Balance 06/30/03	Fund Balance 06/30/02	Increase (Decrease)
General	\$ 3,410,416	\$ 4,317,585	\$ (907,169)
Road and Bridge	2,429,376	2,553,950	(124,574)
Human Services	104,726	327,027	(222,301)
Mental Retardation and Developmental Disabilities	1,224,527	1,219,867	4,660
General Bond Retirement	633,622	745,346	(111,724)
Special Assessment Bond	166,708	147,719	18,989
Other Governmental	4,010,007	4,277,163	(267,156)
<i>Total</i>	<u>\$ 11,979,382</u>	<u>\$ 13,588,657</u>	<u>\$ (1,609,275)</u>

General Fund

The General Fund accounts for all financial resources, 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. The County's General Fund balance decreased by \$907,169. Although total revenues remained rather constant, increased property taxes and sales taxes offset a decrease in charges for services. The decrease in fund balance can be attributed to an increase in expenditures, primarily human services.

Road and Bridge

This fund accounts for monies derived from shared state levied gasoline taxes and motor vehicle licenses. Expenditures are restricted by State law to county road and bridge repair/improvement programs. The Road and Bridge Fund balance decreased by \$124,574. Although revenues stayed rather consistent, expenditures increased.

Human Services

This fund accounts for federal, state, and local monies used to provide general relief and to pay providers of medical assistance and social services. The Human Services Fund balance decreased by \$222,301. The decrease in fund balance can be attributed to a decrease in intergovernmental revenue and transfers in. Expenditures were cut back, however the revenue reductions exceeded the expenditure reductions.

Mental Retardation and Developmental Disabilities

This fund accounts for the operation of a school for the mentally retarded and developmentally disabled, financed by a county-wide property tax levy and federal and state grants. The Mental Retardation and Developmental Disabilities Fund balance increased by \$4,660. Although property taxes and intergovernmental revenues were up slightly, the increased revenue was needed to meet increased operating expenses.

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**Management's Discussion and Analysis
For the Year Ended December 31, 2003
(Continued)**

General Bond Retirement

This fund accounts for the accumulation of financial resources for, and the payment of, general long-term debt bond principal, interest, and related costs. The General Bond Retirement Fund balance decreased by \$111,724. The decrease was primarily due to issuance cost of a refinanced debt.

Special Assessment Bond

This fund accounts for the special assessment revenue used for the repayment of OWDA and bonded special assessment debt with governmental commitment. The Special Assessment Fund balance increased by \$18,989. Both revenues and debt expenditures decreased.

Proprietary Funds

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

Net assets of the Riverview Nursing Home fund were \$5,237,587; the Danbury Sewer fund were \$19,093,722; the Regional Water fund were \$39,397,474; and the Catawba Portage Sewer Fund were \$23,587,110. The total changes in net assets for the funds were \$987,541, \$562,402, \$930,007, and \$(556,311), respectively. The \$987,541 increase in net assets of the Riverview Nursing Home fund can be attributed to an increase in property taxes receivable, accounts receivable, and a reduction of general obligations payable. The other funds' changes in net assets are insignificant to the operations of these funds.

Budgetary Highlights

The County prepares an annual budget of revenues and expenditures/expenses for all funds of the County for use by County officials and department heads and such other budgetary documents as are required by State statute, including the annual appropriations resolution which is effective the first day of January. The County's most significant budgeted fund is the General Fund. There was an increase of 8 percent from the original budgeted amounts to the final budgeted amounts for expenditures with the major increases in the general government and sheriff areas. Budget modifications on the revenue side were insignificant and the actual revenues exceeded budgeted revenues by approximately three tenths of one percent. Actual expenditures amounted to approximately 98 percent of the final budget. While the actual column in the other financing sources and uses included advances in and out, these were not budgeted.

Capital Assets and Debt Administration

Capital Assets - The County's investment in capital assets (net of accumulated depreciation and related debt) for governmental and business-type activities as of December 31, 2003, was \$ 24,072,823 and \$78,067,380 respectively. This investment in capital assets includes land, buildings, building improvements, roads, bridges (see Note 2k), equipment, water and sewer lines and vehicles. Additions to governmental activities capital assets consisted primarily completion of various construction projects and the purchase of additional assets. Changes in capital assets for business-type activities were insignificant. Note 10 to the basic financial statements provides further details on the County's capital assets.

Debt - At December 31, 2003 the County had \$7,491,165 in general obligation bonds; \$5,868,800 in special assessment bonds with governmental commitment; and \$15,778,667 in OWDA loans outstanding for governmental activities.

**FINANCIAL CONDITION
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**Management's Discussion and Analysis
For the Year Ended December 31, 2003
(Continued)**

For business-type activities the County had \$10,965,847 in general obligation bonds; \$7,989,118 in revenue refunding bonds; \$27,096,014 in OWDA loans payable; \$2,872,154 in OEPA loans payable; \$808,548 in OPWC loans payable; \$1,320,128 in Ohio Water and Sewer loans payable; and \$900,000 in notes payable.

In addition to the debt outlined above, the County's long-term obligations also include compensated absences. Notes 18 and 19 to the basic financial statements provide further details on the County's long-term obligations.

Current Issues

In March 2004, the county opened a Senior Center and in November of 2004 a .3 mil levy for senior services was passed to provide assistance to the senior citizens of Ottawa County. The county has also purchased property for the construction of new facilities for the Board of Mental Retardation and Developmental Disabilities and the Ottawa County Transportation Agency.

Request for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the County's financial status. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to Jo Ellen Regal, Ottawa County Auditor, 315 Madison Street, Port Clinton, Ohio 43452.

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OTTAWA COUNTY FINANCIAL CONDITION

Statement of Net Assets Primary Government and Discretely Presented Component Unit December 31, 2003

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Riverview Industries, Inc.
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 10,947,090	\$ 13,572,027	\$ 24,519,117	\$ -
Cash and Cash Equivalents in Segregated Accounts	54,520	-	54,520	304,232
Cash and Cash Equivalents with Fiscal Agents	-	1,024,753	1,024,753	-
Accounts Receivable	64,126	1,080,954	1,145,080	92,845
Permissive Sales Taxes Receivable	714,448	-	714,448	-
Due from Other Governments	4,190,446	2,175,434	6,365,880	-
Due from External Parties	17,964	280	18,244	-
Internal Balances	678,472	(678,472)	-	-
Prepaid Items	63,440	28,648	92,088	11,376
Materials and Supplies Inventory	447,079	434,506	881,585	3,294
Property Taxes Receivable	8,160,805	638,451	8,799,256	-
Loans Receivable	1,047,782	-	1,047,782	-
Special Assessments Receivable	21,789,157	-	21,789,157	-
Unamortized Bond Issuance Costs	109,055	361,350	470,405	-
Investment in Joint Ventures	314,639	-	314,639	-
Nondepreciable Capital Assets	1,428,374	7,547,938	8,976,312	-
Depreciable Capital Assets, Net	28,445,908	119,720,920	148,166,828	76,627
Total Assets	78,473,305	145,906,789	224,380,094	488,374
Liabilities				
Accounts Payable	445,079	276,897	721,976	40,701
Matured Compensated Absences Payable	2,276	24	2,300	-
Accrued Wages and Benefits Payable	535,190	306,071	841,261	38,793
Contracts Payable	57,202	474,252	531,454	-
Due to Other Governments	586,401	472,421	1,058,822	7,333
Retainage Payable	-	103,920	103,920	-
Claims Payable	707,516	-	707,516	-
Due to External Parties	20,512	-	20,512	-
Deferred Revenue	7,787,518	608,894	8,396,412	-
Accrued Interest Payable	449,545	594,903	1,044,448	-
Notes Payable	-	900,000	900,000	-
Long-Term Liabilities:				
Due Within One Year	2,284,932	2,377,561	4,662,493	9,251
Due in More Than One Year	28,394,577	49,071,529	77,466,106	34,956
Total Liabilities	41,270,748	55,186,472	96,457,220	131,034
Net Assets				
Invested in Capital Assets, Net of Related Debt	24,072,823	78,067,380	102,140,203	74,422
Restricted for:				
Capital Projects	439,295	-	439,295	-
Debt Service	266,951	-	266,951	-
Other Purposes	9,709,516	-	9,709,516	-
Revenue Bond Current Debt Service	-	790,406	790,406	-
Revenue Bond Renewal and Replacement	-	1,294,451	1,294,451	-
Revenue Bond Construction	-	998,905	998,905	-
Unrestricted (Deficit)	2,713,972	9,569,175	12,283,147	282,918
Total Net Assets	\$ 37,202,557	\$ 90,720,317	\$ 127,922,874	\$ 357,340

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

OTTAWA COUNTY FINANCIAL CONDITION

Statement of Activities Primary Government and Discretely Presented Component Unit For the Year Ended December 31, 2003

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
<u>General Government</u>				
Legislative and Executive	\$ 4,255,902	\$ 2,457,988	\$ 18,718	\$ -
Judicial	2,461,633	990,023	212,305	-
Public Safety				
Building Inspection	428,480	428,895	-	-
Sheriff	4,013,757	323,841	6,906	-
Other	1,426,906	6,392	707,314	-
Public Works	4,305,825	1,269,213	3,475,734	-
Health	520,858	96,373	-	-
Human Services				
Job and Family Services	3,394,246	-	3,076,752	-
Mental Retardation and Developmental Disabilities	4,128,964	64,273	2,268,844	-
Child Support Enforcement Agency	634,516	-	844,527	-
Other	3,215,292	257,852	763,215	-
Conservation and Recreation	124,145	-	85,293	-
Economic Development and Assistance	3,802	1,636	-	-
Other	4,655	-	-	-
Internal Service Fund-External Portion	38,071	59,052	-	-
Interest and Fiscal Charges	1,234,279	-	-	-
<i>Total Governmental Activities</i>	<u>30,191,331</u>	<u>5,955,538</u>	<u>11,459,608</u>	<u>-</u>
<u>Business-Type Activities</u>				
Riverview Nursing Home	8,605,928	9,220,290	-	-
Danbury Sewer	1,888,454	2,221,841	-	132,605
Regional Water	3,910,700	3,932,684	-	622,554
Catawba Portage Sewer	2,454,651	1,845,902	-	64,326
Other	110,557	4,220	-	478,180
<i>Total Business-Type Activities</i>	<u>16,970,290</u>	<u>17,224,937</u>	<u>-</u>	<u>1,297,665</u>
<i>Total Primary Government</i>	<u>\$ 47,161,621</u>	<u>\$ 23,180,475</u>	<u>\$ 11,459,608</u>	<u>\$ 1,297,665</u>
Component Unit				
Riverview Industries, Inc.	<u>\$ 1,764,068</u>	<u>\$ 1,389,007</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues

Property Taxes Levied for
 General Operating
 Health-Mental Retardation and Developmental
 Disabilities
 Debt Service
 Riverview Nursing Home
 Permissive Sales Taxes
 Other Local Taxes
 Grants and Entitlements not Restricted for Specific Programs
 Interest
 Other

Total General Revenues

Transfers

Change in Net Assets

Net Assets Beginning of Year - See Note 3

Net Assets End of Year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Change in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Riverview Industries, Inc.
\$ (1,779,196)	\$ -	\$ (1,779,196)	\$ -
(1,259,305)	-	(1,259,305)	-
415	-	415	-
(3,683,010)	-	(3,683,010)	-
(713,200)	-	(713,200)	-
439,122	-	439,122	-
(424,485)	-	(424,485)	-
(317,494)	-	(317,494)	-
(1,795,847)	-	(1,795,847)	-
210,011	-	210,011	-
(2,194,225)	-	(2,194,225)	-
(38,852)	-	(38,852)	-
(2,166)	-	(2,166)	-
(4,655)	-	(4,655)	-
20,981	-	20,981	-
(1,234,279)	-	(1,234,279)	-
(12,776,185)	-	(12,776,185)	-
-	614,362	614,362	-
-	465,992	465,992	-
-	644,538	644,538	-
-	(544,423)	(544,423)	-
-	371,843	371,843	-
-	1,552,312	1,552,312	-
(12,776,185)	1,552,312	(11,223,873)	-
-	-	-	(375,061)
2,707,039	-	2,707,039	-
3,014,220	-	3,014,220	-
217,610	-	217,610	-
-	657,271	657,271	-
4,674,252	-	4,674,252	-
224,318	-	224,318	-
1,351,611	-	1,351,611	-
1,341,703	27,027	1,368,730	-
1,794,566	608,341	2,402,907	412,216
15,325,319	1,292,639	16,617,958	412,216
(25,736)	25,736	-	-
2,523,398	2,870,687	5,394,085	37,155
34,679,159	87,849,630	122,528,789	320,185
\$ 37,202,557	\$ 90,720,317	\$ 127,922,874	\$ 357,340

OTTAWA COUNTY FINANCIAL CONDITION

Balance Sheet Governmental Funds December 31, 2003

	General	Road and Bridge	Human Services
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 1,173,886	\$ 1,894,262	\$ 232,663
Cash and Cash Equivalents in Segregated Accounts	46,395	-	-
Accounts Receivable	936	1,767	1,151
Permissive Sales Taxes Receivable	714,448	-	-
Due from Other Governments	611,881	1,619,941	535,698
Due from External Parties	19	12,750	-
Interfund Receivable	1,609,611	450	1,878
Prepaid Items	39,499	7,983	3,770
Materials and Supplies Inventory	135,327	279,618	19,302
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	63,325	-	-
Property Taxes Receivable	2,991,852	-	-
Special Assessments Receivable	-	-	-
Loans Receivable	541,992	-	-
<i>Total Assets</i>	<u>\$ 7,929,171</u>	<u>\$ 3,816,771</u>	<u>\$ 794,462</u>
Liabilities			
Accounts Payable	\$ 134,611	\$ 53,780	\$ 70,088
Matured Compensated Absences	-	-	-
Accrued Wages and Benefits	278,243	53,091	53,781
Contracts Payable	-	40,485	-
Due to Other Governments	190,455	57,145	37,467
Due to External Parties	2,994	-	270
Interfund Payable	39,286	-	26,006
Deferred Revenue	3,873,166	1,182,894	502,124
<i>Total Liabilities</i>	<u>4,518,755</u>	<u>1,387,395</u>	<u>689,736</u>
Fund Balance			
Reserved for Unclaimed Monies	63,325	-	-
Reserved for Loans Receivable	442,826	-	-
Reserved for Encumbrances	260,504	394,394	68,008
Unreserved, Reported in:			
General Fund	2,643,761	-	-
Special Revenue Funds	-	2,034,982	36,718
Debt Service Funds	-	-	-
Capital Projects Funds	-	-	-
<i>Total Fund Balance</i>	<u>3,410,416</u>	<u>2,429,376</u>	<u>104,726</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 7,929,171</u>	<u>\$ 3,816,771</u>	<u>\$ 794,462</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Mental Retardation and Disabilities	General Bond Retirement	Special Assessment Bond	Other Governmental	Total
\$ 1,065,036	\$ 669,144	\$ 179,067	\$ 4,509,312	\$ 9,723,370
-	-	-	8,125	54,520
15,964	2,465	-	41,008	63,291
-	-	-	-	714,448
660,042	10,507	-	752,377	4,190,446
-	5,195	-	-	17,964
31,740	140	16	73,218	1,717,053
4,386	-	-	7,802	63,440
1,030	-	-	11,802	447,079
-	-	-	-	63,325
4,936,659	232,294	-	-	8,160,805
-	-	21,651,510	137,647	21,789,157
-	-	-	505,790	1,047,782
<u>\$ 6,714,857</u>	<u>\$ 919,745</u>	<u>\$ 21,830,593</u>	<u>\$ 6,047,081</u>	<u>\$ 48,052,680</u>
\$ 56,378	\$ -	\$ -	\$ 130,222	\$ 445,079
2,276	-	-	-	2,276
67,506	-	-	82,569	535,190
-	-	-	16,717	57,202
29,966	-	-	271,368	586,401
-	-	-	17,248	20,512
4,323	43,383	12,375	753,989	879,362
5,329,881	242,740	21,651,510	764,961	33,547,276
<u>5,490,330</u>	<u>286,123</u>	<u>21,663,885</u>	<u>2,037,074</u>	<u>36,073,298</u>
-	-	-	-	63,325
-	-	-	499,276	942,102
90,987	-	-	608,986	1,422,879
-	-	-	-	2,643,761
1,133,540	-	-	2,587,003	5,792,243
-	633,622	166,708	93,504	893,834
-	-	-	221,238	221,238
<u>1,224,527</u>	<u>633,622</u>	<u>166,708</u>	<u>4,010,007</u>	<u>11,979,382</u>
<u>\$ 6,714,857</u>	<u>\$ 919,745</u>	<u>\$ 21,830,593</u>	<u>\$ 6,047,081</u>	<u>\$ 48,052,680</u>

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OTTAWA COUNTY FINANCIAL CONDITION

Reconciliation of Total Governmental Fund Balance to Net Assets of Governmental Activities December 31, 2003

Total Governmental Fund Balance		\$ 11,979,382
Amounts reported for governmental activities on the statement of net assets are different because of the following:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		29,874,282
Investment in joint ventures are not financial resources and, therefore are not reported in the funds.		314,639
Unamortized bond issuance costs are not financial resources and, therefore are not reported in the funds.		109,055
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Permissive Sales Taxes Receivable	346,425	
Due from Other Governments	3,253,154	
Property Taxes Receivable	371,022	
Special Assessment Receivable	21,789,157	
		25,759,758
An internal balance is recorded in governmental activities to reflect overpayments to the internal service fund by the business-type activities.		(160,327)
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Accrued Interest Payable	(449,545)	
General Obligation Bonds Payable	(7,491,165)	
OWDA Loans Payable	(15,778,667)	
Special Assessment Debt with Governmental Commitment	(5,868,800)	
Notes Payable	(200,000)	
Compensated Absences Payable	(1,301,249)	
Capital Leases Payable	(39,628)	
		(31,129,054)
An internal service fund is used by management to charge the cost of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net assets.		454,822
<i>Net Assets of Governmental Activities</i>		\$ 37,202,557

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

OTTAWA COUNTY FINANCIAL CONDITION

Statement of Revenues, Expenditures, and Changes in Fund Balance Governmental Funds For the Year Ended December 31, 2003

	General	Road and Bridge	Human Services	Mental Retardation and Developmental Disabilities
Revenues				
Property Taxes	\$ 2,664,207	\$ -	\$ -	\$ 2,889,820
Permissive Sales Taxes	4,643,312	-	-	-
Other Local Taxes	-	446,705	-	-
Special Assessments	-	-	-	-
Charges for Services	2,491,712	1,154,299	-	64,273
Licenses and Permits	126,313	-	-	-
Fines and Forfeitures	526,707	27,751	-	-
Intergovernmental	1,391,010	2,881,634	2,680,696	1,988,844
Interest	381,229	-	-	-
Other	291,110	2,883	148,778	41,679
<i>Total Revenues</i>	<u>12,515,600</u>	<u>4,513,272</u>	<u>2,829,474</u>	<u>4,984,616</u>
Expenditures				
Current:				
General Government				
Legislative and Executive	3,839,833	-	-	-
Judicial	2,144,718	-	-	-
Public Safety				
Building Inspection	417,495	-	-	-
Sheriff	3,987,343	-	-	-
Other	804,934	-	-	-
Public Works	29,946	4,637,846	-	-
Health	403,731	-	-	-
Human Services				
Job and Family Services	-	-	3,506,836	-
Mental Retardation and Developmental Disabilities	-	-	-	4,172,618
Child Support Enforcement Agency	-	-	-	-
Other	-	-	-	-
Conservation and Recreation	919,174	-	-	-
Economic Development and Assistance	-	-	-	-
Other	-	-	-	-
Capital Outlay	-	-	-	33,866
Debt Service:				
Principal Retirement	-	-	-	6,902
Interest and Fiscal Charges	-	-	-	436
Issuance Costs	-	-	-	-
<i>Total Expenditures</i>	<u>12,547,174</u>	<u>4,637,846</u>	<u>3,506,836</u>	<u>4,213,822</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(31,574)</u>	<u>(124,574)</u>	<u>(677,362)</u>	<u>770,794</u>
Other Financing Sources (Uses)				
General Obligation Bonds Issued	-	-	-	-
Premium on General Obligation Bonds Issued	-	-	-	-
Notes Issued	-	-	-	-
Inception of Capital Lease	-	-	-	33,866
Payment to Refunded Bond Escrow Agent	-	-	-	-
Transfers In	-	-	462,858	-
Transfers Out	(875,595)	-	(7,797)	(800,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(875,595)</u>	<u>-</u>	<u>455,061</u>	<u>(766,134)</u>
<i>Change in Fund Balance</i>	<u>(907,169)</u>	<u>(124,574)</u>	<u>(222,301)</u>	<u>4,660</u>
Fund Balance Beginning of Year - Restated (Note 3)	4,317,585	2,553,950	327,027	1,219,867
<i>Fund Balance End of Year</i>	<u>\$ 3,410,416</u>	<u>\$ 2,429,376</u>	<u>\$ 104,726</u>	<u>\$ 1,224,527</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

General Bond Retirement	Special Assessment Bond	Other Governmental	Total
\$ 213,938	\$ -	\$ -	\$ 5,767,965
-	-	-	4,643,312
-	-	34	446,739
-	629,420	98,133	727,553
-	-	1,322,810	5,033,094
-	-	85,484	211,797
-	-	17,277	571,735
19,009	-	2,741,386	11,702,579
-	306,847	-	688,076
380,213	-	929,903	1,794,566
<u>613,160</u>	<u>936,267</u>	<u>5,195,027</u>	<u>31,587,416</u>
-	-	602,999	4,442,832
-	-	432,379	2,577,097
-	-	-	417,495
-	-	36,317	4,023,660
-	-	667,230	1,472,164
-	-	547,326	5,215,118
-	-	106,685	510,416
-	-	-	3,506,836
-	-	-	4,172,618
-	-	684,437	684,437
-	-	2,359,760	2,359,760
-	-	89,791	1,008,965
-	-	1,636	1,636
4,082	-	573	4,655
-	-	692,671	726,537
4,802,000	610,591	300,000	5,719,493
300,188	306,847	5,923	613,394
114,240	-	-	114,240
<u>5,220,510</u>	<u>917,438</u>	<u>6,527,727</u>	<u>37,571,353</u>
<u>(4,607,350)</u>	<u>18,829</u>	<u>(1,332,700)</u>	<u>(5,983,937)</u>
6,720,000	-	-	6,720,000
214,436	-	-	214,436
-	-	200,000	200,000
-	-	-	33,866
(2,760,670)	-	-	(2,760,670)
321,860	160	1,496,402	2,281,280
-	-	(630,858)	(2,314,250)
<u>4,495,626</u>	<u>160</u>	<u>1,065,544</u>	<u>4,374,662</u>
(111,724)	18,989	(267,156)	(1,609,275)
745,346	147,719	4,277,163	13,588,657
<u>\$ 633,622</u>	<u>\$ 166,708</u>	<u>\$ 4,010,007</u>	<u>\$ 11,979,382</u>

OTTAWA COUNTY FINANCIAL CONDITION

Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to Statement of Activities For the Year Ended December 31, 2003

Net Changes in Fund Balance - Total Governmental Funds \$ (1,609,275)

Amounts reported for governmental activities on the statement of activities are different because of the following:

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

Capital Outlay	2,517,823	
Depreciation	<u>(1,189,824)</u>	
		1,327,999

Capital assets removed from the capital asset accounts on the statement of net assets for the year resulted in a loss on disposal on the statement of activities. (114,252)

Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:

Property Taxes	170,904	
Permissive Sales Taxes	30,940	
Intergovernmental	886,219	
Special Assessments	<u>(1,323,844)</u>	
		(235,781)

Other financing sources (uses) in the governmental funds that increase long-term liabilities in the statement of net assets:

General Obligation Bonds Issued	(6,720,000)	
Premium on General Obligation Bonds Issued	(214,436)	
Amortization of Premium	11,213	
Notes Issued	(200,000)	
Payment to Refunded Bond Escrow Agent	2,760,670	
Amortization of Deferred Charge - Refunding	(8,612)	
Capital Lease	<u>(31,718)</u>	
		(4,402,883)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.

General Obligation Bonds Payable	457,000	
Notes Payable	4,645,000	
Special Assessment Debt with Governmental Commitment	608,945	
OWDA Loans Payable	663,042	
Capital Leases Payable	<u>6,902</u>	
		6,380,889

(Continued)

OTTAWA COUNTY FINANCIAL CONDITION

Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to Statement of Activities For the Year Ended December 31, 2003 (Continued)

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding obligations on the statement of net assets.		
Accrued Interest Payable		50,081
Bond Issuance Costs are reported as expenditures in the statement of revenues, expenditures, and changes in fund balance but are amortized in the statement of activities.		
Issuance Costs	114,240	
Amortization of Issuance Costs	<u>(5,185)</u>	
		109,055
Some expenses reported on the statement of activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.		
Compensated Absences Payable	(90,437)	
Due to Other Governments	<u>334,505</u>	
		244,068
Loss on Investment in Joint Venture		(49,846)
The internal service fund used by management to charge the cost of insurance to individual funds is not reported on the statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The change for governmental funds is reported for the year.		
Allocated to Activities		802,362
The internal service fund used by management to charge the cost of insurance to an external agency is reported on the statement of activities. The change for the external portion is reported for the year.		<u>20,981</u>
<i>Change in Net Assets of Governmental Activities</i>		<u><u>\$ 2,523,398</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

OTTAWA COUNTY FINANCIAL CONDITION

Statement of Revenues, Expenditures, and Change in Fund Balance Budget (Non-GAAP Budgetary Basis) and Actual Comparison General Fund For the Year Ended December 31, 2003

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Property Taxes	\$ 2,075,000	\$ 2,075,000	\$ 2,670,167	\$ 595,167
Permissive Sales Taxes	4,500,000	4,500,000	4,631,770	131,770
Charges for Services	2,548,464	2,548,464	2,486,804	(61,660)
Licenses and Permits	104,300	104,300	124,954	20,654
Fines and Forfeitures	562,275	562,275	528,189	(34,086)
Intergovernmental	1,836,000	1,853,906	1,419,447	(434,459)
Interest	625,000	625,000	375,934	(249,066)
Other	103,000	85,094	156,212	71,118
<i>Total Revenues</i>	<u>12,354,039</u>	<u>12,354,039</u>	<u>12,393,477</u>	<u>39,438</u>
Expenditures				
Current:				
General Government				
Legislative and Executive	3,995,714	4,297,014	4,165,285	131,729
Judicial	2,044,876	2,203,089	2,146,814	56,275
Public Safety				
Building Inspection	432,404	449,920	440,693	9,227
Sheriff	3,852,853	4,009,948	3,986,645	23,303
Other	767,522	820,326	806,781	13,545
Public Works	29,152	35,603	35,079	524
Health	413,632	426,002	420,998	5,004
Human Services				
Other	731,029	963,975	944,069	19,906
<i>Total Expenditures</i>	<u>12,267,182</u>	<u>13,205,877</u>	<u>12,946,364</u>	<u>259,513</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>86,857</u>	<u>(851,838)</u>	<u>(552,887)</u>	<u>298,951</u>
Other Financing Sources (Uses)				
Other Financing Sources	188,244	188,244	208,801	20,557
Advances In	-	-	657,059	657,059
Advances Out	-	-	(1,609,611)	(1,609,611)
Transfers In	205,980	205,980	-	(205,980)
Transfers Out	(806,620)	(880,218)	(880,218)	-
<i>Total Other Financing Sources (Uses)</i>	<u>(412,396)</u>	<u>(485,994)</u>	<u>(1,623,969)</u>	<u>(1,137,975)</u>
<i>Change in Fund Balance</i>	<u>(325,539)</u>	<u>(1,337,832)</u>	<u>(2,176,856)</u>	<u>(839,024)</u>
Fund Balance Beginning of Year	2,273,259	2,273,259	2,273,259	-
Prior Year Encumbrances Appropriated	608,587	608,587	608,587	-
<i>Fund Balance End of Year</i>	<u>\$ 2,556,307</u>	<u>\$ 1,544,014</u>	<u>\$ 704,990</u>	<u>\$ (839,024)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

OTTAWA COUNTY FINANCIAL CONDITION

Statement of Revenues, Expenditures, and Change in Fund Balance Budget (Non-GAAP Budgetary Basis) and Actual Comparison Road and Bridge Fund For the Year Ended December 31, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
Other Local Taxes	\$ 445,000	\$ 445,000	\$ 433,955	\$ (11,045)
Intergovernmental	2,805,000	2,805,000	2,852,041	47,041
Charges for Services	500,000	500,000	960,458	460,458
Fines and Forfeitures	35,000	35,000	27,873	(7,127)
Other	-	500,000	7	(499,993)
<i>Total Revenues</i>	3,785,000	4,285,000	4,274,334	(10,666)
Expenditures				
Current:				
Public Works	5,405,668	6,482,433	5,064,096	1,418,337
<i>Excess of Expenditures Over Revenues</i>	(1,620,668)	(2,197,433)	(789,762)	1,407,671
Other Financing Sources	2,000	2,000	61	(1,939)
<i>Change in Fund Balance</i>	(1,618,668)	(2,195,433)	(789,701)	1,405,732
Fund Balance Beginning of Year	2,058,754	2,058,754	2,058,754	-
Prior Year Encumbrances Appropriated	137,478	137,478	137,478	-
<i>Fund Balance (Deficit) End of Year</i>	\$ 577,564	\$ 799	\$ 1,406,531	\$ 1,405,732

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

OTTAWA COUNTY FINANCIAL CONDITION

Statement of Revenues, Expenditures, and Change in Fund Balance Budget (Non-GAAP Budgetary Basis) and Actual Comparison Human Services Fund For the Year Ended December 31, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
Intergovernmental	\$ 3,606,416	\$ 3,606,416	\$ 2,686,620	\$ (919,796)
Other	3,000	3,000	3,461	461
<i>Total Revenues</i>	<u>3,609,416</u>	<u>3,609,416</u>	<u>2,690,081</u>	<u>(919,335)</u>
Expenditures				
Current:				
Human Services				
Job and Family Services	4,500,202	4,480,090	3,629,125	850,965
<i>Excess of Expenditures Over Revenues</i>	<u>(890,786)</u>	<u>(870,674)</u>	<u>(939,044)</u>	<u>(68,370)</u>
Other Financing Sources (Uses)				
Other Financing Sources	170,500	170,500	139,739	(30,761)
Transfers In	606,361	606,361	462,858	(143,503)
Transfers Out	-	(7,797)	(7,797)	-
<i>Total Other Financing Sources (Uses)</i>	<u>776,861</u>	<u>769,064</u>	<u>594,800</u>	<u>(174,264)</u>
<i>Change in Fund Balance</i>	(113,925)	(101,610)	(344,244)	(242,634)
Fund Balance Beginning of Year	329,099	329,099	329,099	-
Prior Year Encumbrances Appropriated	140,544	140,544	140,544	-
<i>Fund Balance End of Year</i>	<u>\$ 355,718</u>	<u>\$ 368,033</u>	<u>\$ 125,399</u>	<u>\$ (242,634)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

OTTAWA COUNTY FINANCIAL CONDITION

**Statement of Revenues, Expenditures, and Change in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual Comparison
Mental Retardation and Disabilities Fund
For the Year Ended December 31, 2003**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
Property Taxes	\$ 2,729,200	\$ 2,729,200	\$ 2,872,205	\$ 143,005
Intergovernmental	1,885,500	1,885,500	1,951,520	66,020
Charges for Services	37,200	37,200	50,202	13,002
Other	300	300	100	(200)
<i>Total Revenues</i>	<u>4,652,200</u>	<u>4,652,200</u>	<u>4,874,027</u>	<u>221,827</u>
Expenditures				
Current:				
Human Services				
Mental Retardation and Developmental Disabilities	5,816,567	4,838,319	4,321,346	516,973
<i>Excess of Revenues Over Under Expenditures</i>	<u>(1,164,367)</u>	<u>(186,119)</u>	<u>552,681</u>	<u>738,800</u>
Other Financing Sources (Uses)				
Other Financing Sources	750	750	9,769	9,019
Transfers In	232,500	232,500	-	(232,500)
Transfers Out	-	(918,500)	(800,000)	118,500
<i>Total Other Financing Sources (Uses)</i>	<u>233,250</u>	<u>(685,250)</u>	<u>(790,231)</u>	<u>(104,981)</u>
<i>Change in Fund Balance</i>	(931,117)	(871,369)	(237,550)	633,819
Fund Balance Beginning of Year	760,404	760,404	760,404	-
Prior Year Encumbrances Appropriated	327,617	327,617	327,617	-
<i>Fund Balance End of Year</i>	<u>\$ 156,904</u>	<u>\$ 216,652</u>	<u>\$ 850,471</u>	<u>\$ 633,819</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

OTTAWA COUNTY FINANCIAL CONDITION

Statement of Net Assets Proprietary Funds December 31, 2003

	Business-Type Activities	
	Riverview Nursing Home	Danbury Sewer
Assets		
<u>Current Assets</u>		
Equity in Pooled Cash and Cash Equivalents	\$ 2,999,354	\$ 1,021,779
Accounts Receivable	380,020	210,466
Due from Other Governments	1,000,801	40,261
Interfund Receivable	335	3,263
Receivable from External Parties	-	-
Property Taxes Receivable	638,451	-
Materials and Supplies Inventory	12,054	73,761
Prepaid Items	14,928	2,176
<i>Total Current Assets</i>	5,045,943	1,351,706
<u>Non-Current Assets</u>		
Restricted Assets:		
Equity in Pooled Cash and Cash Equivalents	-	2,714,671
Cash with Fiscal Agents	-	742,895
Unamortized Bond Issuance Costs	58,140	92,030
Nondepreciable Capital Assets	-	1,180,546
Depreciable Capital Assets, Net	5,562,064	20,225,025
<i>Total Non-Current Assets</i>	5,620,204	24,955,167
<i>Total Assets</i>	10,666,147	26,306,873
Liabilities		
<u>Current Liabilities</u>		
Accounts Payable	161,465	28,426
Contracts Payable	10,685	105,089
Matured Compensated Absences Payable	24	-
Accrued Wages and Benefits	227,429	17,384
Due to Other Governments	422,786	14,844
Interfund Payable	212	196
Retainage Payable	-	13,175
Claims Payable	-	-
Compensated Absences Payable	67,118	13,935
OPWC Loans Payable	-	33,654
OWDA Loans Payable	-	55,226
OEPA Loans Payable	-	-
Notes Payable	-	-
General Obligation Bonds Payable	438,000	30,000
Mortgage Revenue Bonds Payable	-	10,000
Accrued Interest Payable	17,268	11,840
Deferred Revenue	608,894	-
<i>Total Current Liabilities</i>	1,953,881	333,769

Business-Type Activities				Governmental
Regional	Catawba	Other	Total	Internal
Water	Portage Sewer	Enterprise	Enterprise	Service
\$ 4,787,384	\$ 1,104,173	\$ 575,575	\$ 10,488,265	\$ 1,160,395
338,425	152,043	-	1,080,954	835
544,422	-	589,950	2,175,434	-
5,001	1,507	455	10,561	1,108
280	-	-	280	-
-	-	-	638,451	-
268,805	79,886	-	434,506	-
8,466	3,057	21	28,648	-
<u>5,952,783</u>	<u>1,340,666</u>	<u>1,166,001</u>	<u>14,857,099</u>	<u>1,162,338</u>
-	369,091	-	3,083,762	-
-	281,858	-	1,024,753	-
-	211,180	-	361,350	-
2,483,663	2,906,529	977,200	7,547,938	-
64,646,178	26,566,120	2,721,533	119,720,920	-
<u>67,129,841</u>	<u>30,334,778</u>	<u>3,698,733</u>	<u>131,738,723</u>	<u>-</u>
<u>73,082,624</u>	<u>31,675,444</u>	<u>4,864,734</u>	<u>146,595,822</u>	<u>1,162,338</u>
46,642	39,771	593	276,897	-
201,121	-	157,357	474,252	-
-	-	-	24	-
38,233	22,656	369	306,071	-
20,022	14,605	164	472,421	-
428,035	132,119	288,798	849,360	-
57,465	-	33,280	103,920	-
-	-	-	-	707,516
27,869	14,864	23	123,809	-
2,098	8,024	1,152	44,928	-
1,014,021	-	-	1,069,247	-
125,607	-	-	125,607	-
335,000	-	565,000	900,000	-
28,100	15,000	28,000	539,100	-
-	-	-	10,000	-
369,218	86,968	9,634	494,928	-
-	-	-	608,894	-
<u>2,693,431</u>	<u>334,007</u>	<u>1,084,370</u>	<u>6,399,458</u>	<u>707,516</u>

(Continued)

OTTAWA COUNTY FINANCIAL CONDITION

Statement of Net Assets Proprietary Funds December 31, 2003 (Continued)

	Business-Type Activities	
	Riverview Nursing Home	Danbury Sewer
<u>Current Liabilities Payable from Restricted Assets:</u>		
Revenue Bonds Payable	-	324,870
Accrued Interest Payable	-	56,097
<i>Total Current Liabilities Payable from Restricted Assets</i>	-	380,967
<u>Non-Current Liabilities</u>		
Compensated Absences Payable	148,251	30,779
OPWC Loans Payable	-	364,672
OWDA Loans Payable	-	892,432
OEPA Loans Payable	-	-
Ohio Water and Sewer Loans Payable	-	107,284
General Obligation Bonds Payable	3,696,143	264,000
Revenue Bonds Payable	-	4,932,875
Unamortized Charge - Refunded Bond	(369,715)	(93,627)
<i>Total Non-Current Liabilities</i>	3,474,679	6,498,415
<i>Total Liabilities</i>	5,428,560	7,213,151
 Net Assets		
Invested in Capital Assets	1,929,919	15,562,389
Restricted for:		
Revenue Bond Current Debt Service	-	579,531
Revenue Bond Renewal and Replacement	-	1,190,321
Revenue Bond Construction	-	944,819
Unrestricted (Deficit)	3,307,668	816,662
<i>Total Net Assets (Deficit)</i>	\$ 5,237,587	\$ 19,093,722

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

Net Assets of Business-Type Activities

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Business-Type Activities				Governmental Activity
Regional Water	Catawba Portage Sewer	Other Enterprise	Total Enterprise	Internal Service
-	140,000	-	464,870	-
-	43,878	-	99,975	-
-	183,878	-	564,845	-
61,559	32,833	50	273,472	-
81,835	100,421	216,692	763,620	-
25,134,335	-	-	26,026,767	-
2,746,547	-	-	2,746,547	-
1,095,643	12,676	104,525	1,320,128	-
1,871,800	5,284,975	215,000	11,331,918	-
-	2,675,000	-	7,607,875	-
-	(535,456)	-	(998,798)	-
30,991,719	7,570,449	536,267	49,071,529	-
33,685,150	8,088,334	1,620,637	56,035,832	707,516
35,790,498	22,005,840	2,778,734	78,067,380	-
-	210,875	-	790,406	-
-	104,130	-	1,294,451	-
-	54,086	-	998,905	-
3,606,976	1,212,179	465,363	9,408,848	454,822
<u>\$ 39,397,474</u>	<u>\$ 23,587,110</u>	<u>\$ 3,244,097</u>	90,559,990	<u>\$ 454,822</u>
			160,327	
			<u>\$ 90,720,317</u>	

OTTAWA COUNTY FINANCIAL CONDITION

Statement of Revenues, Expenses, and Change in Fund Net Assets Proprietary Funds For the Year Ended December 31, 2003

	Business-Type Activities	
	Riverview Nursing Home	Danbury Sewer
Operating Revenues		
Charges for Services	\$ 9,220,290	\$ 2,221,841
Other	10,721	54,418
<i>Total Operating Revenues</i>	9,231,011	2,276,259
Operating Expenses		
Personal Services	6,061,171	468,435
Contractual Services	1,646,149	218,444
Materials and Supplies	914,270	60,606
Claims	-	-
Depreciation	110,154	868,396
Other	14,136	-
<i>Total Operating Expenses</i>	8,745,880	1,615,881
<i>Operating Income (Loss)</i>	485,131	660,378
Non-Operating Revenues (Expenses)		
Property Taxes	657,271	-
Interest Revenue	-	26,985
Interest Expense	(217,112)	(296,225)
Loss on Disposal of Capital Assets	-	-
Other	56,213	-
<i>Total Non-Operating Revenues</i>	496,372	(269,240)
Income (Loss) Before Contributions and Transfers	981,503	391,138
Capital Contributions	-	132,605
Transfers In	6,038	39,662
Transfers Out	-	(1,003)
<i>Change in Net Assets</i>	987,541	562,402
Net Assets (Deficit) Beginning of Year - Restated (Note 3)	4,250,046	18,531,320
<i>Net Assets (Deficit) End of Year</i>	\$ 5,237,587	\$ 19,093,722

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

Change in Net Assets of Business-Type Activities

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Business-Type Activities				Governmental Activity
Regional Water	Catawba Portage Sewer	Other Enterprise	Total Enterprise	Internal Service
\$ 3,932,684	\$ 1,845,902	\$ 4,220	\$ 17,224,937	\$ 3,845,430
457,673	18,179	3,337	544,328	20,330
4,390,357	1,864,081	7,557	17,769,265	3,865,760
952,830	544,156	-	8,026,592	-
299,027	357,754	517	2,521,891	503,046
321,612	117,357	-	1,413,845	-
-	-	-	-	2,091,119
1,572,211	1,018,634	92,533	3,661,928	-
31,722	-	-	45,858	-
3,177,402	2,037,901	93,050	15,670,114	2,594,165
1,212,955	(173,820)	(85,493)	2,099,151	1,271,595
-	-	-	657,271	-
-	42	-	27,027	-
(729,932)	(443,072)	(5,956)	(1,692,297)	-
(51,051)	-	-	(51,051)	-
-	-	(4,514)	51,699	-
(780,983)	(443,030)	(10,470)	(1,007,351)	-
431,972	(616,850)	(95,963)	1,091,800	1,271,595
622,554	64,326	478,180	1,297,665	-
60,913	19,738	109,345	235,696	8,002
(185,432)	(23,525)	-	(209,960)	(768)
930,007	(556,311)	491,562	2,415,201	1,278,829
38,467,467	24,143,421	2,752,535		(824,007)
\$ 39,397,474	\$ 23,587,110	\$ 3,244,097		\$ 454,822
			455,486	
			\$ 2,870,687	

OTTAWA COUNTY FINANCIAL CONDITION

**Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2003**

	Business-Type Activities	
	Riverview Nursing Home	Danbury Sewer
Increase (Decrease) in Cash and Cash Equivalents		
<u>Cash Flows from Operating Activities</u>		
Cash Received from Customers	\$ 9,154,880	\$ 2,207,079
Cash Received from Transactions with Other Funds	-	-
Cash Received from Other Revenues	10,721	54,418
Cash Payments for Personal Services	(5,968,517)	(479,177)
Cash Payments to Suppliers	(2,617,716)	(185,667)
Cash Payments for Claims	-	-
Cash Payments for Other Expenses	(14,136)	-
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>565,232</u>	<u>1,596,653</u>
<u>Cash Flows from Noncapital Financing Activities</u>		
Property Taxes	649,974	-
Special Assessments	-	-
Cash Received for Other Non-Operating Revenues	55,594	-
Advances In	-	-
Advances Out	-	-
Transfers In	8,768	40,325
Transfers Out	(2,000)	(1,003)
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>712,336</u>	<u>39,322</u>
<u>Cash Flows from Capital and Related Financing Activities</u>		
Acquisition of Capital Assets	(81,413)	(501,017)
Grants	-	92,344
Notes Issued and Loans Received	-	-
Bonds Issued	3,650,000	3,355,000
Premium on Bonds Issued	79,129	-
Discount on Bonds Issued	-	(27,770)
Bond Issuance Costs Paid	(62,050)	(92,030)
Payment to Refunded Bond Escrow Agent	(3,769,579)	(3,243,627)
Principal Paid on Bonds	(388,000)	(575,757)
Interest Paid on Bonds	(197,873)	(165,663)
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(769,786)</u>	<u>(1,158,520)</u>
<u>Cash Flows from Investing Activities</u>		
Interest	-	18,555
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	<u>507,782</u>	<u>496,010</u>
Cash and Cash Equivalents Beginning of Year	<u>2,491,572</u>	<u>3,983,335</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$ 2,999,354</u></u>	<u><u>\$ 4,479,345</u></u>

Business-Type Activities				Governmental Activity
Regional Water	Catawba Portage Sewer	Other Enterprise	Total Enterprise	Internal Service
\$ 3,908,020	\$ 1,837,354	\$ 4,220	\$ 17,111,553	\$ 59,052
-	-	-	-	3,786,378
457,713	18,179	8,839	549,870	19,495
(1,014,842)	(581,596)	(315)	(8,044,447)	-
(566,393)	(580,257)	(831)	(3,950,864)	(503,046)
-	-	-	-	(2,281,277)
(31,722)	-	-	(45,858)	-
<u>2,752,776</u>	<u>693,680</u>	<u>11,913</u>	<u>5,620,254</u>	<u>1,080,602</u>
-	-	-	649,974	-
1,329,778	-	-	1,329,778	-
-	-	-	55,594	-
427,685	131,234	288,798	847,717	-
(51,944)	(80,124)	(84,458)	(216,526)	(2,325)
63,900	20,298	108,969	242,260	7,115
(185,432)	(23,525)	-	(211,960)	(768)
<u>1,583,987</u>	<u>47,883</u>	<u>313,309</u>	<u>2,696,837</u>	<u>4,022</u>
(1,966,222)	(321,360)	(620,970)	(3,490,982)	-
140,000	10,465	117,552	360,361	-
386,820	-	565,000	951,820	-
-	245,000	-	7,250,000	-
-	10,399	-	89,528	-
-	-	-	(27,770)	-
-	(4,165)	-	(158,245)	-
-	(262,218)	-	(7,275,424)	-
(2,308,381)	(207,779)	(24,152)	(3,504,069)	-
(1,416,642)	(351,010)	(12,384)	(2,143,572)	-
<u>(5,164,425)</u>	<u>(880,668)</u>	<u>25,046</u>	<u>(7,948,353)</u>	<u>-</u>
-	42	-	18,597	-
(827,662)	(139,063)	350,268	387,335	1,084,624
5,615,046	1,894,185	225,307	14,209,445	75,771
<u>\$ 4,787,384</u>	<u>\$ 1,755,122</u>	<u>\$ 575,575</u>	<u>\$ 14,596,780</u>	<u>\$ 1,160,395</u>

(Continued)

OTTAWA COUNTY FINANCIAL CONDITION

**Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2003
(Continued)**

	Business-Type Activities	
	Riverview Nursing Home	Danbury Sewer
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities		
Operating Income (Loss)	\$ 485,131	\$ 660,378
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</u>		
Depreciation	110,154	868,396
Changes in Assets and Liabilities		
(Increase) Decrease in Accounts Receivable	(148,536)	(14,762)
(Increase) Decrease in Prepaid Items	1,486	218
(Increase) Decrease in Materials and Supplies Inventory	10,515	(5,083)
(Increase) Decrease in Intergovernmental Receivable	83,126	-
(Increase) Decrease in Interfund Receivable	-	-
(Increase) Decrease in Receivable from External Party	-	-
Increase (Decrease) in Accounts Payable	(14,591)	(5,884)
Increase (Decrease) in Contracts Payable	(50,415)	88,575
Increase in Accrued Wages and Benefits Payable	31,568	2,985
Increase (Decrease) in Compensated Absences Payable	(4,450)	3,163
Increase (Decrease) in Due to Other Governments	61,297	(1,529)
Increase (Decrease) in Interfund Payable	(53)	196
Decrease in Claims Payable	-	-
<i>Total Adjustments</i>	<u>80,101</u>	<u>936,275</u>
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>\$ 565,232</u>	<u>\$ 1,596,653</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Business-Type Activities				Governmental Activity
Regional Water	Catawba Portage Sewer	Other Enterprise	Total Enterprise	Internal Service
\$ 1,212,955	\$ (173,820)	\$ (85,493)	\$ 2,099,151	\$ 1,271,595
1,572,211	1,018,634	92,533	3,661,928	-
(23,538)	(8,387)	-	(195,223)	(835)
20	172	(3)	1,893	-
51,842	(79,886)	-	(22,612)	-
-	-	-	83,126	-
(806)	(161)	-	(967)	-
(280)	-	-	(280)	-
(165,122)	(13,771)	(3,039)	(202,407)	-
89,238	(38,987)	8,543	96,954	-
7,065	3,186	(376)	44,428	-
6,325	3,374	9	8,421	-
2,516	(17,559)	(261)	44,464	-
350	885	-	1,378	-
-	-	-	-	(190,158)
1,539,821	867,500	97,406	3,521,103	(190,993)
\$ 2,752,776	\$ 693,680	\$ 11,913	\$ 5,620,254	\$ 1,080,602

OTTAWA COUNTY FINANCIAL CONDITION

Statement of Fiduciary Assets and Liabilities Agency Funds December 31, 2003

Assets

Equity in Pooled Cash and Cash Equivalents	\$ 4,546,797
Cash and Cash Equivalents in Segregated Accounts	1,396,358
Accounts Receivable	28
Accrued Interest Receivable	23
Due from Other Governments	1,834,411
Due from External Parties	20,512
Property Taxes Receivable	52,461,077
Other Local Taxes Receivable	34,548
Special Assessments Receivable	<u>324,102</u>
<i>Total Assets</i>	<u><u>\$ 60,617,856</u></u>

Liabilities

Accounts payable	\$ 25,425
Due to Other Governments	52,800,840
Deposits Held and Due to Others	18,244
Undistributed Assets	<u>7,773,347</u>
<i>Total Liabilities</i>	<u><u>\$ 60,617,856</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

OTTAWA COUNTY FINANCIAL CONDITION

Notes to the Basic Financial Statements For the Year Ended December 31, 2003

NOTE 1 - REPORTING ENTITY

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

OTTAWA COUNTY FINANCIAL CONDITION

Notes to the Basic Financial Statements For the Year Ended December 31, 2003 (Continued)

County. Riverview Industries operates on a fiscal year ending December 31. The financial information for Riverview Industries 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 organizations listed below, the County serves as fiscal agent, but the organizations are not considered part of Ottawa County. Accordingly, the activity of the following organizations is reported as agency funds within the financial statements:

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

The County participates in several joint ventures, a jointly governed organizations and an insurance pool. These organizations are presented in Notes 23, 24, and 25 to the basic 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 financial statements of Ottawa County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, in its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The County does not apply Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the County's accounting policies.

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. Basis of Presentation

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

Government-Wide Financial Statements

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

OTTAWA COUNTY FINANCIAL CONDITION

Notes to the Basic Financial Statements For the Year Ended December 31, 2003 (Continued)

The statement of net assets presents the financial condition of the governmental and business-type activities of the County at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the County's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues or the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the County.

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

General - The General Fund accounts for all financial resources, 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.

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

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

OTTAWA COUNTY FINANCIAL CONDITION

Notes to the Basic Financial Statements For the Year Ended December 31, 2003 (Continued)

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

General Bond Retirement – This fund accounts for the accumulation of financial resources for, and the payment of, general long-term debt bond principal, interest, and related costs.

Special Assessment Bond - This fund accounts for the special assessment revenue used for the repayment of OWDA and bonded special assessment debt with governmental commitment.

The other governmental funds of the County account for grants and other resources whose use is restricted for a particular purpose.

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the County's major enterprise funds:

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

Danbury Sewer – To account for sanitary sewer services provided to individuals and commercial users in Danbury Township and the Village of Marblehead. The costs of providing these services are financed primarily through user charges.

Regional Water – To account for water services provided to individuals and commercial users. The costs of providing these services are financed primarily through user charges and special assessments.

Catawba Portage Sewer– To account for sanitary sewer services provided to individuals and commercial users in portions of Catawba and Portage Townships. The costs of providing these services are financed primarily through user charges.

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

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the County under a trust agreement for individuals, private organizations, or other governments and are not available to support the County's own

OTTAWA COUNTY FINANCIAL CONDITION

Notes to the Basic Financial Statements For the Year Ended December 31, 2003 (Continued)

programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operation. The County did not have any trust funds in 2003. The County's agency funds account for assets held by the County for political subdivisions for which the County acts as fiscal agent and for taxes, state-levied shared revenues, and fines and forfeitures collected and distributed to other political subdivisions.

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the County are included on the statement of net assets. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets.

Fund Financial Statements

All governmental funds 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. The statement of revenues, expenditures, and changes in fund balance reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements and the fund financial statements for governmental funds.

Like the government-wide financial statements, the proprietary funds are accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of fund net assets. The statement of revenues, expenses, and changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows reflects how the County finances and meets the cash flow needs of its proprietary activities.

D. Basis of Accounting

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

Revenues - Exchange and Nonexchange Transactions

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are 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 thirty-one days after year end.

OTTAWA COUNTY FINANCIAL CONDITION

Notes to the Basic Financial Statements For the Year Ended December 31, 2003 (Continued)

Nonexchange transactions, in which the County receives value without directly giving equal value in return, include property taxes, 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 sales taxes is recognized in the year 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, 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: sales taxes; charges for services; fines and forfeitures; state-levied locally shared taxes (including gasoline tax and motor vehicle license tax), grants, interest, and rent.

Deferred Revenues

Deferred revenues arise when assets are recognized before the revenue recognition criteria have been satisfied.

Property taxes for which there was an enforceable legal claim at December 31, 2003, but were levied to finance 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements were met have also been recorded as deferred revenue.

On governmental fund financial statements, receivables that were not collected within the available period are recorded as deferred revenue.

Expenses/Expenditures

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.

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. Budgetary information for the Commissary special revenue fund and Riverview Industries is not reported because they are not included in the entity for which the "appropriated budget" is adopted. 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 tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the County Commissioners may appropriate. The appropriations resolution is the County Commissioners' authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the County Commissioners. The legal level of control has been established by the County Commissioners at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the County Auditor. The amounts reported as the original

OTTAWA COUNTY FINANCIAL CONDITION

Notes to the Basic Financial Statements For the Year Ended December 31, 2003 (Continued)

budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the County Commissioners.

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

F. Cash and Investments

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

Cash and cash equivalents that are held separately within departments of the County are recorded as "Cash and Cash Equivalents in Segregated Accounts".

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

During 2003, the County invested in nonnegotiable certificates of deposit, STAR Ohio, mutual funds, and Ottawa County manuscript bonds. Investments are reported at fair value, except for nonnegotiable certificates of deposit which are reported at cost. Fair value is based on quoted market prices. 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, 2003.

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 2003 was \$381,229, which includes \$350,269 assigned from other County funds.

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2003, 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.

H. Inventory

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

OTTAWA COUNTY FINANCIAL CONDITION

Notes to the Basic Financial Statements For the Year Ended December 31, 2003 (Continued)

I. Restricted Assets

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

J. Unamortized Issuance Costs/Bond Discounts and Premiums

For governmental fund types, issuance costs and bond discounts and premiums are recognized in the current period for the fund financial statements. For the entity-wide and proprietary fund financial statements, issuance costs and bond discounts and premiums are deferred and amortized or accreted over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Issuance costs are recorded as deferred charges. Bond discounts and premiums are presented as a reduction of or addition to the face amount of the bonds payable, as applicable.

K. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in governmental funds. General capital assets are reported in the governmental activities column on the government-wide statement of net assets but are not reported on the fund financial statements. Capital assets used by the proprietary funds are reported in both the business-type activities column on the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The County maintains a capitalization threshold of five thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

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

	Governmental Activities	Business-Type Activities
Land Improvements	10-20 years	20 years
Buildings	10-75 years	75 years
Building Improvements	10-75 years	20-30 years
Roads	15-50 years	n/a
Bridges	n/a	n/a
Water and Sewer Lines	n/a	50 years
Equipment	5-10 years	5-20 years
Vehicles	5-15 years	5-10 years

OTTAWA COUNTY FINANCIAL CONDITION

Notes to the Basic Financial Statements For the Year Ended December 31, 2003 (Continued)

The County's infrastructure consists of roads and bridges. For 2003, the County reported infrastructure used in governmental activities for the first time. As permitted in reporting general infrastructure assets at transition, the County is retroactively reporting the roads network for which the information is available, but is prospectively reporting bridges. Accordingly, the amounts reported for bridges only include those acquired after 2002. The County plans to phase in the prior year bridge amounts in future years.

L. Interfund Receivables/Payables

On fund financial statements, outstanding interfund loans and unpaid amounts for internal services are reported as "Interfund Receivables/Payables". Interfund balances are eliminated on the statement of net assets, except for any net residual amounts due between governmental and business-type activities. These amounts are presented as "Internal Balances".

M. Compensated Absences

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 the County will compensate the employees for the benefits through paid time off or some other means. The County records a liability for accumulated unused vacation time when earned for all employees with more than 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.

N. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences and contractually required pension contributions that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. General obligation bonds and capital leases are recognized as liabilities on the fund financial statements when due.

O. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes primarily include activities involving the upkeep of the County's roads and bridges, child support and welfare services, services for the handicapped and mentally retarded, and activities of the County's

OTTAWA COUNTY FINANCIAL CONDITION

Notes to the Basic Financial Statements For the Year Ended December 31, 2003 (Continued)

courts. The County's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

P. Fund Balance Reserves

The County reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Fund balance reserves have been established for unclaimed monies, loans receivable, and encumbrances.

Q. Operating Revenues and Expenses

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

R. Interfund Transactions

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence.

T. Estimates

The preparation of the 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.

NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES, CORRECTION OF AN ERROR, AND RESTATEMENT OF FUND EQUITY

A. Changes in Accounting Principles

For 2003, the County has implemented Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments"; GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus"; GASB Statement No. 38, "Certain Financial Statement Note Disclosures"; GASB Statement

OTTAWA COUNTY FINANCIAL CONDITION

Notes to the Basic Financial Statements For the Year Ended December 31, 2003 (Continued)

No. 41, "Budgetary Comparison Schedules - Perspective Differences", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements".

GASB Statement No. 34 creates new basic financial statements for reporting on the County's financial activities. The financial statements include government-wide financial statements prepared on the accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

The government-wide financial statements split the County's programs between governmental activities and business-type activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at December 31, 2002, caused by the elimination of the internal service fund and the conversion to the accrual basis of accounting. Except for the restatement explained below, the beginning net asset amount for the business-type activities equals fund equity of the enterprise funds from the prior year.

GASB Statement No. 37 makes certain clarifications regarding escheat property and modifies several provisions of GASB Statement No. 34, including Management's Discussion and Analysis. GASB Statement No. 38 modifies, establishes, and rescinds certain financial statement disclosure requirements.

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization, or program structure that the County uses for its legally adopted budget when significant budgetary perspective differences result in the County not being able to present budgetary comparisons for the General Fund and each major special revenue fund. The implementation of this statement did not have any effect on the County's financial statements for 2003.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

For 2003, the County has increased the threshold amount for capitalizing assets. The threshold amount was increased from \$200 to \$5,000.

B. Correction of Prior Period Errors

In prior years, the County did not record the accretion of interest on capital appreciation bonds in the Danbury Sewer enterprise fund.

In addition, capital assets were recorded incorrectly in the Riverview Nursing Home, Danbury Sewer, Regional Water, Catawba Portage Sewer, and Portage Catawba Water enterprise funds in the prior year.

C. Restatement of Fund Equity

The restatement due to the implementation of the above statements and interpretation had the following effects on fund equity of the major and nonmajor funds of the County as they were previously reported. The transition from governmental fund balance to net assets of governmental activities is also presented:

OTTAWA COUNTY FINANCIAL CONDITION

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(Continued)**

	General	Road and Bridge	Human Services	Mental Retardation and Developmental Disabilities	General Bond Retirement	Special Assessment Bond	Other Governmental	Total Governmental Activities
Fund Balance December 31, 2002	\$ 4,248,706	\$ 2,551,804	\$ 316,418	\$ 1,163,268	\$ 639,028	\$ 147,719	\$ 4,372,729	\$ 13,439,672
GASB Statement No. 34 Adjustment Change in Fund Structure	49,095	-	-	51,636	106,318	-	(102,337)	104,712
GASB Interpretation No. 6 Adjustment Compensated Absences	19,784	2,146	10,609	4,963	-	-	6,771	44,273
Adjusted Fund Balance	<u>\$ 4,317,585</u>	<u>\$ 2,553,950</u>	<u>\$ 327,027</u>	<u>\$ 1,219,867</u>	<u>\$ 745,346</u>	<u>\$ 147,719</u>	<u>\$ 4,277,163</u>	13,588,657
GASB Statement No. 34 Adjustments:								
Permissive Sales Taxes Receivable								315,485
Due from Other Governments								2,366,935
Property Taxes Receivable								200,118
Special Assessments Receivable								23,113,001
Investment in Joint Venture								364,485
Capital Assets								28,660,535
Due to Other Governments								(334,505)
Accrued Interest Payable								(499,626)
Notes Payable								(4,645,000)
General Obligation Bonds Payable								(3,777,000)
Special Assessment Bonds Payable								(6,477,745)
OWDA Loans Payable								(16,441,709)
Compensated Absences Payable								(1,210,812)
Capital Leases Payable								(14,812)
Internal Service Fund - Internal Balance								295,159
Internal Service Fund – Governmental Portion								<u>(824,007)</u>
<i>Governmental Activities Net Assets December 31, 2002</i>								<u>\$ 34,679,159</u>

The restatement of the business-type activities:

	Riverview Nursing Home	Danbury Sewer	Regional Water	Catawba Portage Sewer	Other Enterprise	Total Business-Type Activities
Fund Equity (Deficit)						
December 31, 2002	\$ 1,433,110	\$ 19,606,858	\$ 37,770,429	\$ 25,152,404	\$ 2,864,485	\$ 86,827,286
Change in Fund Structure	11,734	-	-	-	-	11,734
Property Taxes Receivable	22,320	-	-	-	-	22,320
Accretion Correction	-	(771,458)	-	-	-	(771,458)
Capital Assets	(1,140,054)	60,370	645,250	27,965	(147,766)	(554,235)
Accumulated Depreciation	3,922,936	(364,450)	51,788	(1,036,948)	35,816	2,609,142
	<u>\$ 4,250,046</u>	<u>\$ 18,531,320</u>	<u>\$ 38,467,467</u>	<u>\$ 24,143,421</u>	<u>\$ 2,752,535</u>	88,144,789
Internal Service Funds - Internal Balance						<u>(295,159)</u>
<i>Adjusted Net Assets December 31, 2002</i>						<u>\$ 87,849,630</u>

OTTAWA COUNTY FINANCIAL CONDITION

Notes to the Basic Financial Statements For the Year Ended December 31, 2003 (Continued)

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At December 31, 2003, the following funds had deficit fund balances/net assets:

Fund	Deficit
Special Revenue Funds:	
Ditch Maintenance	\$ 4,167
Department of Justice Grant	1
Ditch Cleaning	2,840
FEMA Planning	945
Community Development Block Grant	66,906
Capital Projects Funds:	
Veterans Memorial Building	70
Roose Ditch	10,203
Lohrbach Ditch	13,938
August Kutzner Ditch	24,477
Winters Ditch	101,111
Locust Point Pump Drainage	89,391
Enterprise Fund:	
Portage Catawba Water	256,894

The General Fund provides transfers to cover deficit balances in the special revenue and capital projects funds; however, this is done when cash is needed rather than when accruals occur.

The deficit net assets balance in the Portage Catawba Water enterprise fund is a result of operating losses in prior years. The County has not addressed this issue.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statements of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual for the General Fund; Road and Bridge; Human Services; and Mental Retardation and Developmental Disabilities special revenue funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Expenditures are recorded when paid in cash (budget basis) for materials and supplies inventory and prepaid items as opposed to when used (GAAP basis).

OTTAWA COUNTY FINANCIAL CONDITION

Notes to the Basic Financial Statements For the Year Ended December 31, 2003 (Continued)

4. Outstanding year end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
5. The County has certain activities within the General Fund that are not budgeted by the County Commissioners. However, this activity is included as part of the reporting entity when preparing financial statements that conform with GAAP.
6. Receipts and repayments of advances from (to) other funds are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
7. Receipts and payments of loans receivable are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

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

Change in Fund Balance				
	General	Road and Bridge	Human Services	Mental Retardation and Developmental Disabilities
GAAP Basis	\$ (907,169)	\$ (124,574)	\$ (222,301)	\$ 4,660
Increase (Decrease) Due To				
Revenue Accruals				
Accrued 2002, Received in Cash 2003	458,450	215,380	31,600	229,863
Accrued 2003, Not Yet Received in Cash	(444,818)	(452,014)	(36,603)	(314,524)
Expenditure Accruals				
Accrued 2002, Paid In Cash 2003	(565,445)	(130,369)	(199,605)	(155,679)
Accrued 2003, Not Yet Paid in Cash	633,066	204,501	187,612	160,449
Cash Adjustments				
Unrecorded Activity, 2002	215,002	1,693	9,782	51,636
Unrecorded Activity, 2003	(201,035)	(3,936)	(4,433)	(67,795)
Prepaid Items	2,056	(16,195)	(7,370)	319
Materials and Supplies Inventory	3,030	(392)	(95)	(709)
Advances In	657,059	-	-	-
Advances Out	(1,609,611)	-	-	-
Transfers Out	(4,623)	-	-	-
Loans Receivable Issued	(112,174)	-	-	-
Loans Receivable Collected	56,437	-	-	-
Encumbrances Outstanding at Year End (Budget Basis)	(357,081)	(483,795)	(102,831)	(145,770)
Budget Basis	\$ (2,176,856)	\$ (789,701)	\$ (344,244)	\$ (237,550)

OTTAWA COUNTY FINANCIAL CONDITION

Notes to the Basic Financial Statements For the Year Ended December 31, 2003 (Continued)

NOTE 6 - DEPOSITS AND INVESTMENTS

A. Primary Government

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
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 Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided 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.

OTTAWA COUNTY FINANCIAL CONDITION

Notes to the Basic Financial Statements For the Year Ended December 31, 2003 (Continued)

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

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

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

At year end, the County had \$198,323 in undeposited cash on hand which is included 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 \$2,234,617 and the bank balance was \$4,095,508. Of the bank balance \$911,037 was covered by federal depository insurance and \$3,181,471 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 its 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. The mutual funds and STAR Ohio are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Category 1	Fair Value
Ottawa County Bonds	\$ 18,200	\$ 18,200
STAR Ohio		28,065,652
Mutual Funds		1,024,753
<i>Total Investments</i>		\$ 29,108,605

The classification of cash and cash equivalents and investments on the financial statements 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". The reconciliation between the classification of cash and cash equivalents and investments on the financial statements and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

OTTAWA COUNTY FINANCIAL CONDITION

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(Continued)**

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$ 31,541,545	\$ -
Cash on Hand	(198,323)	-
Investments		
Ottawa County Bonds	(18,200)	18,200
STAR Ohio	(28,065,652)	28,065,652
Mutual Funds	(1,024,753)	1,024,753
GASB Statement No. 3	<u>\$ 2,234,617</u>	<u>\$ 29,108,605</u>

B. Component Unit

The carrying amount of Riverview Industries' deposits at year end was \$304,232 and the bank balance was \$237,654. All of the bank balances were covered by federal depository insurance. There are no significant statutory restrictions regarding the deposit and investment of funds by the not-for-profit corporation.

NOTE 7 - RECEIVABLES

Receivables at December 31, 2003, consisted of permissive sales taxes; property taxes; special assessments; accounts (e.g., billings for user charged services, including unbilled charges); accrued interest; loans; and intergovernmental receivables arising from grants, entitlements, and shared revenues. All receivables are considered fully collectible within one year, except for loans receivable and special assessments receivable. Loans receivable, in the amount of \$942,102, and special assessments, in the amount of \$20,463,644 will not be received within one year. The County had \$180,622 delinquent special assessments at December 31, 2003.

Receivables recorded in 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 collectability. Using these criteria the County has elected to not record child support arrearages on 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.

	Balance 12/31/02	New Loans	Repayments	Balance 12/31/03
General Fund:				
Airport	\$ 426,255	\$ -	\$ 8,087	\$ 418,168
Airport	-	112,174	43,350	68,824
Fair Board	60,000	-	5,000	55,000
<i>Total General Fund</i>	<u>486,255</u>	<u>112,174</u>	<u>56,437</u>	<u>541,992</u>

(Continued)

OTTAWA COUNTY FINANCIAL CONDITION

Notes to the Basic Financial Statements For the Year Ended December 31, 2003 (Continued)

	Balance 12/31/02	New Loans	Repayments	Balance 12/31/03
Special Revenue Funds:				
CHIP/HOME	357,095	97,445	39,645	414,895
CDBG Revolving Loan	93,511	5,220	7,836	90,895
<i>Total Special Revenue</i>	450,606	102,665	47,481	505,790
<i>Total Loans Receivable</i>	\$ 936,861	\$ 214,839	\$ 103,918	\$ 1,047,782

Loans receivable represent loans to the Airport and the Fair Board and to eligible individuals for residential rehabilitation under the Federal Community Development Block Grant program. A summary of the changes in notes receivable during 2003 follows:

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
Major Funds	
General Fund	
Local Government	\$ 380,686
Local Government Revenue Assistance	82,289
Estate Tax	1,133
Auditor of State	6,913
Erie County	11,283
Homestead and Rollback	129,577
<i>Total General Fund</i>	611,881
Road and Bridge	
Gasoline Tax	762,331
Motor Vehicle License Tax	633,236
Permissive Motor Vehicle License Tax	30,453
Ohio Department of Transportation	185,791
Portage Township	3,544
Harris Township	2,167
Bay Township	1,903
Danbury Township	429
City of Port Clinton	87
<i>Total Road and Bridge</i>	1,619,941
Human Services	
ODHS Public Assistance	535,698
Mental Retardation and Developmental Disabilities	
Title XX	20,426
Unit Funding	436,447
CAFS	1,087
Homestead and Rollback	202,082
<i>Total Mental Retardation and Developmental Disabilities</i>	660,042
	(Continued)

OTTAWA COUNTY FINANCIAL CONDITION

Notes to the Basic Financial Statements For the Year Ended December 31, 2003 (Continued)

General Bond Retirement	
Homestead and Rollback	10,507
<i>Total Major Funds</i>	3,438,069
Nonmajor Funds	
Children's First	
Ohio Children's Trust	7,500
Emergency Management	
DOJ Grant	38,224
State Homeland Security Grants	225,778
<i>Total Emergency Management</i>	264,002
Children's Services	
State Child Protection	59,398
Title VI-B	33,196
Family Preservation	3,040
Family Reunification	2,446
Chaffee Federal Allocation	760
Adoption Incentive	578
State of Ohio	2,545
<i>Total Children's Services</i>	101,963
Child Support Enforcement Agency	
Administration Fees	83,466
OCTA	
Transportation	675
CHIP/HOME	
CHIP Grant	163,895
Reclaim Ohio	
Reclaim Ohio	60,296
FEMA Planning	
FEMA Grant	945
CDBG	
CDBG Grant	9,350
Litter Prevention	
Recycle Grant	5,530
Municipal Court Corrections	
Municipal Court Corrections Grant	23,431
Victims of Crimes	
Victims of Crimes Grant	22,824
State Victims Assistance	8,500
<i>Total Victims of Crimes</i>	31,324
<i>Total Nonmajor Funds</i>	752,377
<i>Total Governmental Activities</i>	4,190,446

(Continued)

OTTAWA COUNTY FINANCIAL CONDITION

Notes to the Basic Financial Statements For the Year Ended December 31, 2003 (Continued)

Enterprise Funds

Major Funds

Riverview Nursing Home	
Homestead and Rollback	26,680
Medicare	448,363
Medicaid	525,758

<i>Total Riverview Nursing Home</i>	1,000,801
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Danbury Sewer	
OPWC Grant	40,261

Regional Water	
EDA Grant	347,888
OPWC Grant	164,421
OPWC Loan	32,113

<i>Total Regional Water</i>	544,422
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<i>Total Major Funds</i>	1,585,484
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Nonmajor Funds

Sewer District #13	
OPWC Grant	266,226
STAG Grant	284,190

<i>Total Sewer District #13</i>	550,416
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Plasterbed Road Water and Sewer	
CDBG Grant	19,767
EDA Grant	19,767

<i>Total Plasterbed Road Water and Sewer</i>	39,534
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<i>Total Nonmajor Funds</i>	589,950
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<i>Total Enterprise Funds</i>	2,175,434
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Agency Funds

Local Government	420,757
Local Government Revenue Assistance	90,952
Library Local Government	774,120
Gasoline Tax	331,500
Motor Vehicle License Tax	172,629
Permissive Motor Vehicle License Tax	41,417
OPERS	3,036

<i>Total Agency Funds</i>	1,834,411
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<i>Total All Funds</i>	\$ 8,200,291
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NOTE 8 - 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

OTTAWA COUNTY FINANCIAL CONDITION

Notes to the Basic Financial Statements For the Year Ended December 31, 2003 (Continued)

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 9 - 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 2003 represent the collection of 2002 taxes. Real property taxes received in 2003 were levied after October 1, 2002, on the assessed values as of January 1, 2002, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in 2003 represent the collection of 2002 taxes. Public utility real and tangible personal property taxes received in 2003 became a lien on December 31, 2001, were levied after October 1, 2002, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in 2003 (other than public utility property) represent the collection of 2003 taxes. Tangible personal property taxes received in 2003 were levied after October 1, 2002, on the true value as of December 31, 2002. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of December 31, 2003, 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 2003 operations.

On the full accrual basis, collectible delinquent real property taxes have been recorded as a receivable and revenue. On the modified accrual basis, the revenue is deferred.

The full tax rate for all County operations for the year ended December 31, 2003, was \$5.70 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2003 property tax receipts were based are as follows:

OTTAWA COUNTY FINANCIAL CONDITION

Notes to the Basic Financial Statements For the Year Ended December 31, 2003 (Continued)

Real Property	
Residential/Agriculture	\$ 870,626,160
Commercial/Industrial/Mineral	210,847,000
Public Utility Property	
Real	349,290
Personal	153,451,460
Tangible Personal Property	<u>96,337,922</u>
<i>Total Assessed Value</i>	<u><u>\$ 1,331,611,832</u></u>

NOTE 10 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2003, was as follows:

	Restated Balance 12/31/02	Additions	Reductions	Balance 12/31/03
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$ 1,176,777	\$ -	\$ -	\$ 1,176,777
Construction in Process	4,877,009	251,597	(4,877,009)	251,597
<i>Total Nondepreciable Capital Assets</i>	<u>6,053,786</u>	<u>251,597</u>	<u>(4,877,009)</u>	<u>1,428,374</u>
Depreciable Capital Assets				
Buildings	12,956,985	3,639,500	-	16,596,485
Building Improvements	238,465	1,941,222	(12,500)	2,167,187
Roads	16,997,188	525,926	-	17,523,114
Bridges	-	379,917	-	379,917
Equipment	3,502,093	399,847	(581,373)	3,320,567
Vehicles	2,867,054	256,823	(205,754)	2,918,123
<i>Total Depreciable Capital Assets</i>	<u>36,561,785</u>	<u>7,143,235</u>	<u>(799,627)</u>	<u>42,905,393</u>
Less Accumulated Depreciation for				
Buildings	(3,018,477)	(204,294)	-	(3,222,771)
Building Improvements	(25,948)	(12,349)	1,250	(37,047)
Roads	(7,478,763)	(339,944)	-	(7,818,707)
Bridges	-	-	-	-
Equipment	(1,909,285)	(299,883)	530,948	(1,678,220)
Vehicles	(1,522,563)	(333,354)	153,177	(1,702,740)
<i>Total Accumulated Depreciation</i>	<u>(13,955,036)</u>	<u>(1,189,824)</u>	<u>685,375</u>	<u>(14,459,485)</u>
Total Depreciable Capital Assets, Net	<u>22,606,749</u>	<u>5,953,411</u>	<u>(114,252)</u>	<u>28,445,908</u>
<i>Governmental Activities Capital Assets, Net</i>	<u><u>\$ 28,660,535</u></u>	<u><u>\$ 6,205,008</u></u>	<u><u>\$ (4,991,261)</u></u>	<u><u>\$ 29,874,282</u></u>

The restatement of Governmental Activities Capital Assets at December 31, 2003 consisted of the following:

OTTAWA COUNTY FINANCIAL CONDITION

Notes to the Basic Financial Statements For the Year Ended December 31, 2003 (Continued)

Capital Assets as Previously Reported	\$ 29,168,644
Threshold Change	(3,550,261)
Roads	16,997,188
Record Accumulated Depreciation	<u>(13,955,036)</u>
Capital Assets as Restated	<u><u>\$ 28,660,535</u></u>

	Restated Balance 12/31/02	Additions	Reductions	Balance 12/31/03
Business-Type Activities				
Nondepreciable Capital Assets				
Land	\$ 4,463,669	\$ -	\$ -	\$ 4,463,669
Construction in Progress	1,020,888	2,597,847	(534,466)	3,084,269
<i>Total Nondepreciable Capital Assets</i>	<u>5,484,557</u>	<u>2,597,847</u>	<u>(534,466)</u>	<u>7,547,938</u>
Depreciable Capital Assets				
Buildings	14,468,290	23,592	-	14,491,882
Improvements other than Buildings	18,269,365	201,818	-	18,471,183
Water and Sewer Lines	94,247,503	1,068,392	(164,992)	95,150,903
Equipment	22,436,480	291,746	(30,372)	22,697,854
Vehicles	704,803	69,954	(11,378)	763,379
<i>Total Depreciable Capital Assets</i>	<u>150,126,441</u>	<u>1,655,502</u>	<u>(206,742)</u>	<u>151,575,201</u>
Less Accumulated Depreciation for				
Buildings	(2,323,253)	(240,322)	-	(2,563,575)
Improvements other than Buildings	(3,048,762)	(386,639)	-	(3,435,401)
Water and Sewer Lines	(15,209,222)	(1,881,444)	113,941	(16,976,725)
Equipment	(7,289,839)	(1,071,369)	30,372	(8,330,836)
Vehicles	(476,968)	(82,154)	11,378	(547,744)
<i>Total Accumulated Depreciation</i>	<u>(28,348,044)</u>	<u>(3,661,928)</u>	<u>155,691</u>	<u>(31,854,281)</u>
<i>Total Depreciable Capital Assets, Net</i>	<u>121,778,397</u>	<u>(2,006,426)</u>	<u>(51,051)</u>	<u>119,720,920</u>
<i>Business-Type Activities Capital Assets, Net</i>	<u><u>\$ 127,262,954</u></u>	<u><u>\$ 591,421</u></u>	<u><u>\$ (585,517)</u></u>	<u><u>\$ 127,268,858</u></u>

The restatement of Business-type Activities Capital Assets at December 31, 2003 consisted of the following:

Capital Assets as Previously Reported	\$ 125,208,047
Threshold Change	(687,879)
Correction of Prior Period Errors	<u>2,742,786</u>
Capital Assets as Restated	<u><u>\$ 127,262,954</u></u>

Depreciation was charged to Business-Type Activities as follows:

OTTAWA COUNTY FINANCIAL CONDITION

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(Continued)**

Riverview Nursing Home	\$ 110,154
Danbury Sewer	868,396
Regional Water	1,572,211
Catawba Portage Sewer	1,018,634
Portage Catawba Water	9,297
Sewer District #13	83,236
<i>Total Business-Type Activities</i>	<u><u>\$ 3,661,928</u></u>

Depreciation expense was charged to governmental functions as follows:

Governmental Activities

General Government	
Legislative and Executive	\$ 56,020
Judicial	39,194
Public Safety	
Building Inspection	3,989
Sheriff	215,763
Other	30,154
Public Works	589,814
Health	9,765
Human Services	
Job and Family Services	53,102
Mental Retardation and Developmental Disabilities	6,358
Other	146,821
Conservation and Recreation	36,678
Economic Development and Assistance	2,166
<i>Total Depreciation Expense - Governmental Activities</i>	<u><u>\$ 1,189,824</u></u>

NOTE 11 - INTERFUND BALANCES

Interfund balances at December 31, 2003, consisted of the following:

Due to General Fund from:	
General Bond Retirement	\$ 43,383
Special Assessment Bond	12,375
Regional Water	427,685
Catawba Portage Sewer	131,234
Other Governmental	706,136
Other Enterprise	288,798
<i>Total due to General Fund from other funds</i>	<u><u>\$ 1,609,611</u></u>
Due to Road and Bridge from:	
Regional Water	\$ 350
Catawba Portage Sewer	100
<i>Total due to Road and Bridge from other funds</i>	<u><u>\$ 450</u></u>

(Continued)

OTTAWA COUNTY FINANCIAL CONDITION

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(Continued)**

Due to Human Services from:	
General	\$ 506
Other Governmental	1,372
<i>Total due to Human Services from other funds</i>	<u>\$ 1,878</u>
Due to Mental Retardation and Disabilities from:	
Other Governmental	<u>\$ 31,740</u>
Due to General Bond Retirement from:	
General	<u>\$ 140</u>
Due to Special Assessment Bond from:	
General	<u>\$ 16</u>
Due to Riverview Nursing Home from:	
General	<u>\$ 335</u>
Due to Danbury Sewer from:	
General	<u>\$ 3,263</u>
Due to Regional Water from:	
General	\$ 4,020
Danbury Sewer	196
Catawba Portage Sewer	785
<i>Total due to Regional Water from other funds</i>	<u>\$ 5,001</u>
Due to Catawba Portage Sewer from:	
General	<u>\$ 1,507</u>
Due to Other Governmental from:	
General	\$ 27,936
Human Services	26,006
Mental Retardation and Disabilities	4,323
Riverview Nursing Home	212
Other Governmental	14,741
<i>Total due to Other Governmental from other funds</i>	<u>\$ 73,218</u>
Due to Other Enterprise from:	
General Fund	<u>\$ 455</u>
Due to Internal Service from:	
General	<u>\$ 1,108</u>

Short-term interfund loans were advanced from the General Fund to provide working capital for operations or projects. The remainder of the above interfund receivables/payables is due to time lags between the dates that interfund goods and services are provided, transactions are recorded in the accounting system, and payments between funds are made. All of these amounts are expected to be received within one year.

OTTAWA COUNTY FINANCIAL CONDITION

Notes to the Basic Financial Statements For the Year Ended December 31, 2003 (Continued)

NOTE 12 - 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 2003, the County contracted with 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	86,052,174
Other Property Insurance	
Extra Expense	1,000,000
Contractors Equipment	1,564,881
Valuable Papers and Records	1,000,000
Miscellaneous Floaters	1,068,071
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

With the exceptions of medical coverage and worker's compensation, all insurance is held with CORSA. There has been no significant reduction in insurance coverage from 2002, 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

OTTAWA COUNTY FINANCIAL CONDITION

Notes to the Basic Financial Statements For the Year Ended December 31, 2003 (Continued)

on the requirements of Governmental Accounting Standards Board Statement No. 30, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Claims payable at December 31, 2003, was estimated by the third party administrator at \$707,516.

The changes in the claims liability for 2003 and 2002 were:

	<u>Beginning Balance</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2003	\$ 897,674	\$ 2,091,119	\$ 2,281,277	\$ 707,516
2002	793,074	2,775,116	2,670,516	897,674

NOTE 13 - SIGNIFICANT CONTRACTUAL COMMITMENTS

The County had the following contractual commitments outstanding as of December 31, 2003:

<u>Contractor</u>	<u>Commitment</u>	<u>Remaining Balance</u>
D & G Focht Construction	\$ 2,815,000	\$ 2,815,000
Poggemeyer Design Group	1,593,220	671,600
Maintenance Unlimited	1,478,988	611,408
Underground Utilities	832,010	381,779
Erie Blacktop, Inc.	501,840	269,601
Brint Electric, Inc.	306,268	306,268
CORRPRO Companies, Inc.	226,800	132,977
Ed Burdue and Company	172,370	10,269
Brunkhorst Engineering	114,195	5,622

NOTE 14 - DEFINED BENEFIT PENSION PLANS

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

OTTAWA COUNTY FINANCIAL CONDITION

Notes to the Basic Financial Statements For the Year Ended December 31, 2003 (Continued)

OPERS to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

For the year ended December 31, 2003, members of all three plans, other than those engaged in law enforcement, were required to contribute 8.5 percent of their annual covered salary to fund pension obligations. For law enforcement employees, the employee contribution rate 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. (The law enforcement program has 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 County's contribution rate for pension benefits for 2003 was 8.55 percent, except for those plan members in law enforcement. For those classifications, the County's pension contributions were 11.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contribution for pension obligations to the traditional and combined plans for the years ended December 31, 2003, 2002, and 2001 were \$1,594,281, \$1,504,002, and \$1,694,909, respectively; 83 percent has been contributed for 2003 and 100 percent has been contributed for 2002 and 2001. The unpaid contribution for 2003, in the amount of \$266,688 is recorded as a liability.

NOTE 15 - POSTEMPLOYMENT BENEFITS

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by OPERS is considered an Other Postemployment Benefit (OPB) 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 the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2003 employer contribution rate was 13.55 percent of covered payroll (16.7 percent for law enforcement); 5.00 percent was the portion used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 2002, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees), and an additional increase in total payroll of between .5 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4 percent annually.

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 annually.

OTTAWA COUNTY FINANCIAL CONDITION

Notes to the Basic Financial Statements For the Year Ended December 31, 2003 (Continued)

The number of active contributing participants in the traditional and combined plans was 364,881. Actual employer contributions for 2003 which were used to fund postemployment benefits were \$580,250. The actual contribution and the actuarial required contribution amounts are the same. OPERS' net assets available for the payment of benefits at December 31, 2002 (the latest information available), was \$10 billion. The actuarial accrued liability and the unfunded actuarial accrued liability were \$18.7 billion and \$8.7 billion, respectively.

In December 2001, the OPERS Board adopted the Health Care "Choices" Plan. The Choices Plan will be offered to all persons newly hired in an OPERS covered position after January 1, 2003, with no prior service credit accumulated toward health care coverage. The Choices Plan will incorporate a cafeteria approach offering a broader range of health care options. The Choices Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Choices Plan will also offer a spending account feature enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a medical spending account.

NOTE 16 - 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.

The County's current severance was established in August 1997. Pre-August 1997 employees had the option to choose the old or new policy. Employees hired after August 1997 must use the new policy.

The pre-August 1997 policy provides for employees to receive the greater of 25 percent of their accumulated unused sick leave up to a maximum of 30 days or a set number of days corresponding to their years of service. The post-August 1997 policy provides for employees to receive from 25-50 percent of their accumulated unused sick leave balance based on years of service.

B. Employee Health Insurance

Ottawa County provides employee medical benefits to most employees 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 \$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 17 – SHORT-TERM DEBT

The changes in the County's short-term debt during 2003 were as follows:

OTTAWA COUNTY FINANCIAL CONDITION

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(Continued)**

	Interest Rate	Balance 12/31/02	Additions	Reductions	Balance 12/31/03
Bond Anticipation Notes					
Business-Type Activities					
2002 Water System Improvement	1.98%	\$ 500,000	\$ -	\$ 500,000	\$ -
2003 Water System Improvement	1.60%	-	335,000	-	335,000
2003 Sewer System Improvement	1.50%	-	565,000	-	565,000
<i>Total Business-Type Activities</i>		<u>\$ 500,000</u>	<u>\$ 900,000</u>	<u>\$ 500,000</u>	<u>\$ 900,000</u>

According to Ohio law, notes can be issued in anticipation of bond 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.

NOTE 18 - LONG-TERM OBLIGATIONS

	Interest Rate	Balance 12/31/02	Additions	Reductions	Balance 12/31/03	Due Within One Year
Governmental Activities						
<u>Bond Anticipation Notes</u>						
2002 Brush Wellman Improvement	1.99%	\$ 300,000	\$ -	\$ 300,000	\$ -	\$ -
2002 Various Purpose	1.74%	4,345,000	-	4,345,000	-	-
2003 Brush Wellman Improvement	1.60%	-	200,000	-	200,000	200,000
<i>Total Bond Anticipation Notes</i>		<u>4,645,000</u>	<u>200,000</u>	<u>4,645,000</u>	<u>200,000</u>	<u>200,000</u>
<u>General Obligation Bonds</u>						
1994 Various Purpose Bonds						
Industrial Park Improvement (Original Amount \$850,000)	3.0-5.95%	675,000	-	675,000	-	-
Airport Improvement (Original Amount \$625,000)	3.0-5.95%	495,000	-	495,000	-	-
County/City Complex (Original Amount \$1,700,000)	3.0-5.95%	1,355,000	-	1,355,000	-	-
<i>Total 1994 Various Purpose Bonds</i>		<u>2,525,000</u>	<u>-</u>	<u>2,525,000</u>	<u>-</u>	<u>-</u>
2003 Various Purpose Bonds						
Industrial Park Improvement	3.64%	-	695,000	25,000	670,000	40,000
Bond Premium		-	27,822	1,001	26,821	-
Unamortized Charge (Original Amount \$695,000)		-	(64,557)	(2,322)	(62,235)	-
Airport Improvement	3.63%	-	510,000	15,000	495,000	25,000
Bond Premium		-	20,541	604	19,937	-
Unamortized Charge (Original Amount \$510,000)		-	(49,057)	(1,443)	(47,614)	-
Industrial Park Improvement	3.63%	-	1,385,000	55,000	1,330,000	70,000
Bond Premium		-	54,685	2,172	52,513	-

(Continued)

OTTAWA COUNTY FINANCIAL CONDITION

Notes to the Basic Financial Statements For the Year Ended December 31, 2003 (Continued)

	Interest Rate	Balance 12/31/02	Additions	Reductions	Balance 12/31/03	Due Within One Year
Governmental Activities (Continued)						
Unamortized Charge (Original Amount \$1,385,000)		-	(122,056)	(4,847)	(117,209)	-
Community Resource Center Bond Premium (Original Amount \$3,060,000)	4.18%	-	3,060,000	135,000	2,925,000	80,000
Port Authority Bond Premium (Original Amount \$605,000)	3.19%	-	36,832	1,625	35,207	-
Airport Improvement Bond Premium	3.96%	-	605,000	50,000	555,000	40,000
		-	62,394	5,157	57,237	-
		-	465,000	25,000	440,000	15,000
		-	12,162	654	11,508	-
<i>Total 2003 Various Purpose Bonds</i>		-	6,698,766	307,601	6,391,165	270,000
1998 Various Purpose Bonds						
Welfare Building Refunding	4.25-5.5%	157,000	-	17,000	140,000	17,000
Agriculture Building	4.25-5.5%	910,000	-	65,000	845,000	70,000
<i>Total 1998 Various Purpose Bonds</i>		1,067,000	-	82,000	985,000	87,000
1984 Courthouse Construction (Original Amount \$565,000)						
	9.75%	50,000	-	25,000	25,000	25,000
1984 Detention Facility (Original Amount \$595,000)						
	9.75%	55,000	-	30,000	25,000	25,000
1984 Welfare (Original Amount \$350,000)						
	9.75%	80,000	-	15,000	65,000	15,000
<i>Total General Obligation Bonds</i>		3,777,000	6,698,766	2,984,601	7,491,165	422,000
OWDA Loans						
OWDA Dani-Donn (Original Amount \$47,710)	5.54%	42,594	-	1,646	40,948	1,737
OWDA/OEPA Regional Water (Original Amount \$17,942,681)	4.02%	16,399,115	-	661,396	15,737,719	688,252
<i>Total OWDA Loans</i>		16,441,709	-	663,042	15,778,667	689,989
Special Assessment Bonds						
Sun Valley (Original Amount \$192,000)	7.00%	40,000	-	10,000	30,000	10,000
Lake in the Woods Refunding (Original Amount \$213,000)	4.25-5.5%	119,000	-	21,000	98,000	21,000
Catawba Sewer Refunding (Original Amount \$8,395,000)	4.25-5.5%	5,910,000	-	550,000	5,360,000	570,000
SR 163 Refunding (Original Amount \$209,000)	4.25-5.5%	147,000	-	12,000	135,000	12,000
Route 269 Sewer Refunding (Original Amount \$68,000)	4.25-5.5%	49,000	-	4,000	45,000	4,000
Lacarne Water (Original Amount \$45,500)	7.00%	20,500	-	2,300	18,200	2,300

(Continued)

OTTAWA COUNTY FINANCIAL CONDITION

Notes to the Basic Financial Statements For the Year Ended December 31, 2003 (Continued)

	Interest Rate	Balance 12/31/02	Additions	Reductions	Balance 12/31/03	Due Within One Year
Governmental Activities (Continued)						
Gypsum Sewer (Original Amount \$112,769)	4.50%	73,300	-	5,700	67,600	5,600
Perryview Estates Plat 5 & 6 (Original Amount \$127,826)	6.13%	118,945	-	3,945	115,000	4,190
<i>Total Special Assessment Bonds</i>		6,477,745	-	608,945	5,868,800	629,090
<u>Other Long-Term Obligations</u>						
Compensated Absences Payable		1,210,812	125,540	35,103	1,301,249	335,294
Due to Other Governments		334,505	-	334,505	-	-
Capital Leases Payable		14,812	33,866	9,050	39,628	8,559
<i>Total Other Long-Term Obligations</i>		1,560,129	159,406	378,658	1,340,877	343,853
<i>Total Governmental Activities</i>		\$ 32,901,583	\$ 7,058,172	\$ 9,280,246	\$ 30,679,509	\$ 2,284,932
Business-Type Activities						
<u>General Obligation Bonds</u>						
Riverview Nursing Home						
1984 Health Care Facility (Original Amount \$2,000,000)	9.75%	\$ 200,000	\$ -	\$ 100,000	\$ 100,000	\$ 100,000
1998 County Home Refunding (Original Amount \$862,000)	4.25%	598,000	-	58,000	540,000	58,000
1995 County Home Improvement (Original Amount \$4,700,000)	4.25%	3,375,000	-	3,375,000	-	-
2003 County Home Refunding Bond Premium	3.07%	-	3,650,000	230,000	3,420,000	280,000
Unamortized Charge (Original Amount \$3,650,000)		-	79,129	4,986	74,143	-
Danbury Sewer						
1998 Various Purpose (Original Amount \$444,000)	4.25%	324,000	-	30,000	294,000	30,000
Regional Water						
1999 Rural Development (Original Amount \$2,000,000)	4.75%	1,926,700	-	26,800	1,899,900	28,100
Catawba Portage Sewer						
1998 Sanitary Sewer Refunding Unamortized Charge (Original Amount \$5,055,000)	5.00%	5,055,000	-	-	5,055,000	-
1994 Chemical Dosing Station (Original Amount \$300,000)	4.70%	240,000	-	240,000	-	-
2003 Chemical Dosing Station Bond Premium	3.66%	-	245,000	10,000	235,000	15,000
Unamortized Charge (Original Amount \$245,000)		-	10,399	424	9,975	-
		-	(22,219)	(907)	(21,312)	-

(Continued)

OTTAWA COUNTY FINANCIAL CONDITION

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(Continued)**

	Interest Rate	Balance 12/31/02	Additions	Reductions	Balance 12/31/03	Due Within One Year
Business-Type Activities (Continued)						
Portage Catawba Water						
1998 Various Purpose (Original Amount \$379,000)	4.25%	266,000	-	23,000	243,000	28,000
<i>Total General Obligation Bonds</i>		<u>11,452,194</u>	<u>3,567,730</u>	<u>4,054,077</u>	<u>10,965,847</u>	<u>539,100</u>
<u>General Obligation Revenue Bonds</u>						
Danbury Sewer						
1993 Serial Bonds (Original Amount \$3,797,000)	5.15%	435,000		435,000		
1993 Term Bonds (Original Amount \$3,150,000)	5.50%	3,150,000		3,150,000		
1993 Capital Appreciation Bonds Accretion (Original Amount \$1,061,625)	5.75-5.85	1,061,625 771,458	- 107,432	- -	1,061,625 878,890	238,292 86,578
2003 Refunding Bonds Bond Discount Unamortized Charge (Original Amount \$3,355,000)	3.30%	- - -	3,355,000 (27,770) (93,627)	- - -	3,355,000 (27,770) (93,627)	10,000 - -
Catawba Portage Sewer						
1998 Sanitary Sewer Refunding (Original Amount \$3,445,000)	4.25%	2,950,000	-	135,000	2,815,000	140,000
<i>Total General Obligation Revenue Bonds</i>		<u>8,368,083</u>	<u>3,341,035</u>	<u>3,720,000</u>	<u>7,989,118</u>	<u>474,870</u>
<u>Ohio Water and Sewer Loans</u>						
1992 Danbury Sewer (Original Amount \$216,741)		107,284	-	-	107,284	-
1999 Regional Water (Original Amount \$1,108,668)		1,072,177	-	5,358	1,066,819	-
1992 Catawba Portage Sewer (Original Amount \$28,662)		12,676	-	-	12,676	-
1991 Portage Catawba Water (Original Amount \$185,855)		104,525	-	-	104,525	-
2001 Camp Perry Western Road (Original Amount \$37,929)		28,824	-	-	28,824	-
<i>Total Ohio Water and Sewer Loans</i>		<u>1,325,486</u>	<u>-</u>	<u>5,358</u>	<u>1,320,128</u>	<u>-</u>
<u>OWDA Loans</u>						
1997 Danbury Sewer (Original Amount \$1,246,205)	3.04%	1,001,243	-	53,585	947,658	55,226
1997 Regional Water (Original Amount \$29,991,085)	2.00%	27,125,566	-	993,632	26,131,934	1,013,504
2001 Camp Perry Western Road (Original Amount \$17,145)	5.74%	16,911	-	489	16,422	517
<i>Total OWDA Loans</i>		<u>28,143,720</u>	<u>-</u>	<u>1,047,706</u>	<u>27,096,014</u>	<u>1,069,247</u>

(Continued)

OTTAWA COUNTY FINANCIAL CONDITION

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(Continued)**

Business-Type Activities (Continued)	Interest Rate	Balance 12/31/02	Additions	Reductions	Balance 12/31/03	Due Within One Year
<u>OPWC Loans</u>						
1992 Danbury Sewer #CE340 (Original Amount \$486,780)	4.00%	290,967	-	24,190	266,777	25,167
1999 Danbury Sewer #CE004 (Original Amount \$169,741)		140,036	-	8,487	131,549	8,487
2003 Regional Water – Gypsum (Original Amount \$89,933)		-	83,933	-	83,933	2,098
1994 Portage Catawba Water (Original Amount \$168,000)	4.00%	116,158	-	7,713	108,445	8,024
1999 Allen Sewer (Original Amount \$23,035)		19,003	-	1,152	17,851	1,152
2003 Clay Center (Project to Date Amount \$199,993)		-	199,993	-	199,993	-
<i>Total OPWC Loans</i>		<u>566,164</u>	<u>283,926</u>	<u>41,542</u>	<u>808,548</u>	<u>44,928</u>
<u>OEPA Loans</u>						
1999 Regional Water (Original Amount \$3,274,564)	4.02%	2,992,860	-	120,706	2,872,154	125,607
<u>Other Long-Term Obligations</u>						
Compensated Absences		<u>388,884</u>	<u>20,200</u>	<u>11,803</u>	<u>397,281</u>	<u>123,809</u>
<i>Total Business-Type Activities</i>		<u>\$ 53,237,391</u>	<u>\$ 7,192,691</u>	<u>\$ 8,868,683</u>	<u>\$ 51,449,090</u>	<u>\$ 2,128,145</u>

Bond Anticipation Notes

According to Ohio law, notes can be issued in anticipation of bond 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.

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.

1998 Various Improvement Bonds

The bonds maturing on September 1, 2018, are subject to mandatory sinking fund redemption on each September 1, commencing September 1, 2012, at the redemption price equal to 100 percent of the principal redeemed plus accrued interest to the redemption date as follows:

OTTAWA COUNTY FINANCIAL CONDITION

Notes to the Basic Financial Statements For the Year Ended December 31, 2003 (Continued)

Year	Amount
2012	\$ 250,000
2013	200,000
2014	100,000
2015	105,000
2016	110,000
2017	110,000

The remaining principal, in the amount of \$125,000, is payable at stated maturity.

The bonds maturing on September 1, 2031, are subject to mandatory sinking fund redemption on each September 1, commencing September 1, 2019, at the redemption price equal to 100 percent of the principal redeemed plus accrued interest to the redemption date as follows:

Year	Amount
2019	\$ 125,000
2020	140,000
2021	150,000
2022	150,000
2023	320,000
2024	345,000
2025	360,000
2026	385,000
2027	400,000
2028	425,000
2029	440,000
2030	460,000

The remaining principal, in the amount of \$470,000, is payable at stated maturity.

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

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

2003 Various Improvement Bonds

On June 3, 2003, the County issued \$10,615,000 Various Purpose Bonds dated June 1, 2003 with varying interest rates from 1.75% to 4.25%. \$2,590,000 of this issue was to refund \$2,525,000 of outstanding 1994 Various Purpose Bonds. \$2,792,468 (including premium, accrued interest, available County resources and after bond issuance costs) was deposited in an

OTTAWA COUNTY FINANCIAL CONDITION

Notes to the Basic Financial Statements For the Year Ended December 31, 2003 (Continued)

irrevocable trust to provide for all future debt service payments on the refunded issues. As a result, at December 31, 2003, \$2,425,000 of governmental refunded bonds are considered defeased and the liability has been removed from the statement of net assets. The issuance resulted in an economic gain of \$363,635. This issuance resulted in a difference (savings) between the cash flows required to service the old debt and the cash flows required to service the new debt in the amount of \$359,420.

The bonds maturing on December 1, 2015, are subject to mandatory sinking fund redemption in part on December 1, 2014 at the redemption price of 100% of the principal amount thereof to be redeemed plus accrued interest to the respective redemption dates in the principal amount as follows:

Year	Amount
2014	\$ 735,000

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

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

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

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

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

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

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

Special Assessment Bonds

The special assessment bonds 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.

OTTAWA COUNTY FINANCIAL CONDITION

Notes to the Basic Financial Statements For the Year Ended December 31, 2003 (Continued)

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.

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.

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 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.

Danbury Sanitary Sewer System Refunding Bonds

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

<u>Year</u>	<u>Amount</u>
2009	\$ 455,000
2010	485,000
2011	510,000
2012	535,000
2013	565,000

The remaining principal, in the amount of \$600,000, is payable at stated maturity.

The bonds maturing on October 1, 2003, are subject to mandatory redemption, in whole or in part, at the option of the County, in inverse order of maturity, in integral multiples of \$5,000 and by lot within a maturity, on any date commencing after October 1, 2002, at the redemption prices set forth below plus accrued interest to the date fixed for redemption:

OTTAWA COUNTY FINANCIAL CONDITION

Notes to the Basic Financial Statements For the Year Ended December 31, 2003 (Continued)

Redemption Dates (Dates Inclusive)	Redemption Prices
October 1, 2002 through December 30, 2003	102%
October 1, 2003 through December 30, 2004	101%
October 1, 2004 and thereafter	100%

Fund assets, whose use are restricted under the bond indenture, are presented as restricted assets on the balance sheet. Restricted assets relating to the Danbury Sanitary Sewer System Refunding Bonds at December 31, 2003, were as follows:

Restricted Assets Held by the Trustee	
Revenue Refunding Bond Current Debt Service	\$ 138,976
Revenue Refunding Bond Future Debt Service	603,919

Catawba Portage Sanitary Sewer Revenue Refunding Bonds

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

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

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

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

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

Fund assets, whose uses are restricted under the bond indenture, are presented as restricted assets on the balance sheet. Restricted assets relating to the Catawba Portage Sanitary Sewer Revenue Refunding Bonds at December 31, 2003, were as follows:

OTTAWA COUNTY FINANCIAL CONDITION

Notes to the Basic Financial Statements For the Year Ended December 31, 2003 (Continued)

Restricted Assets Held by the Trustee		
Revenue Refunding Bond Current Debt Service	\$	68
Revenue Refunding Bond Future Debt Service		281,790

2003 Various Improvement Bonds

On June 3, 2003, the County issued \$10,615,000 Various Purpose Bonds dated June 1, 2003 with varying interest rates from 1.75% to 4.25%. \$3,650,000 of this issue was to refund \$3,375,000 of outstanding 1995 County Home Improvement Bonds. \$3,769,579 (including premium, accrued interest, available County resources and after bond issuance costs) was deposited in an irrevocable trust to provide for all future debt service payments on the refunded issues. \$245,000 of this issue was to refund \$240,000 of outstanding 1994 Chemical Dosing Station Bonds. \$262,219 (including premium, accrued interest, available County resources and after bond issuance costs) was deposited in an irrevocable trust to provide for all future debt service payments on the refunded issues. As a result, at December 31, 2003, \$3,400,000 of general obligation refunded bonds are considered defeased and the liability has been removed from the statement of net assets. The issuance resulted in an economic gain of \$904,394. This issuance resulted in a difference (savings) between the cash flows required to service the old debt and the cash flows required to service the new debt in the amount of \$1,031,416.

2003 Refunding Bonds

On July 30, 2003, the County issued \$3,355,000 Sanitary Sewer System Revenue Refunding Bonds dated July 1, 2003 with an interest rate of 3.3% to refund \$3,150,000 of outstanding 1993 Term Bonds. \$3,243,627 (including accrued interest and after discount and bond issuance costs) was deposited in an irrevocable trust to provide for all future debt service payments on the refunded issues. As a result, at December 31, 2003, \$3,150,000 of general obligation revenue refunded bonds are considered defeased and the liability has been removed from the statement of net assets. The issuance resulted in an economic loss of \$452,881. This issuance resulted in a difference (loss) between the cash flows required to service the old debt and the cash flows required to service the new debt in the amount of \$481,481.

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, 2003, \$11,050,000 of this debt was still outstanding.

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.

OTTAWA COUNTY FINANCIAL CONDITION

Notes to the Basic Financial Statements For the Year Ended December 31, 2003 (Continued)

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.

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, 2003, the County's overall debt margin was \$132,761,699 with an unvoted debt margin of \$66,181,108.

The State Route 269 Water, State Route 163 and 53 Water, PCI Sewer, Regional Water, and Camp Perry Western Road Water projects funded by Ohio Water and Sewer Loans have not been completed. An amortization schedule for the repayment of the loans will not be available until the projects are completed and, therefore, are not included in the following schedule.

Principal and interest requirements to retire general long-term obligations outstanding at December 31, 2003, were as follows:

Year	General Obligation Bonds		OWDA Loans		Special Assessment Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$ 422,000	\$ 294,057	\$ 689,989	\$ 628,077	\$ 629,090	\$ 278,176
2005	382,000	278,621	718,032	600,034	663,251	251,005
2006	391,000	268,249	747,214	570,852	688,728	222,379
2007	396,000	257,492	777,582	540,484	702,922	191,829
2008	410,000	245,877	809,185	508,881	731,335	160,744
2009-2013	2,164,000	1,016,883	4,566,820	2,023,510	2,382,988	281,472
2014-2018	1,780,000	602,338	5,573,520	1,016,810	54,697	13,248
2019-2023	860,000	266,100	1,896,325	76,767	15,789	978
2024-2028	710,000	77,138	-	-	-	-
	<u>\$ 7,515,000</u>	<u>\$ 3,306,755</u>	<u>\$ 15,778,667</u>	<u>\$ 5,965,415</u>	<u>\$ 5,868,800</u>	<u>\$ 1,399,831</u>

OTTAWA COUNTY FINANCIAL CONDITION

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(Continued)**

Principal and interest requirements to retire the long-term obligations outstanding at December 31, 2003, from the enterprise funds were as follows:

Year	General Obligation Bonds		General Obligation Revenue Bonds	
	Principal	Interest	Principal	Interest
2004	\$ 539,100	\$ 510,061	\$ 388,292	\$ 652,812
2005	436,400	488,148	409,275	632,812
2006	448,800	476,090	412,594	639,091
2007	461,300	463,346	399,477	644,601
2008	475,800	449,494	386,987	649,260
2009-2013	2,584,600	1,985,326	3,390,000	766,963
2014-2018	1,335,500	1,525,000	1,195,000	279,800
2019-2023	1,244,600	1,257,734	650,000	84,750
2024-2028	2,300,400	834,885	-	-
2029-2033	1,847,400	236,167	-	-
2034-2038	113,000	5,368	-	-
	<u>\$ 11,786,900</u>	<u>\$ 8,231,619</u>	<u>\$ 7,231,625</u>	<u>\$ 4,350,089</u>

Year	OWDA Loans		OPWC Loans		OEPA Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$ 1,069,247	\$ 551,966	\$ 44,928	\$ 14,681	\$ 125,607	\$ 114,211
2005	1,091,239	529,975	48,369	13,339	130,707	109,111
2006	1,113,691	507,523	49,763	11,944	136,014	103,804
2007	1,136,610	484,604	51,215	10,493	141,537	98,281
2008	1,160,009	461,205	52,726	8,982	147,284	92,534
2009-2013	6,168,505	1,937,564	252,556	20,393	831,130	367,960
2014-2018	6,747,191	1,275,264	81,101	360	1,014,139	184,951
2019-2023	7,103,086	582,715	25,799	-	345,736	13,991
2024-2028	1,506,436	89,366	2,098	-	-	-
	<u>\$ 27,096,014</u>	<u>\$ 6,420,182</u>	<u>\$ 608,555</u>	<u>\$ 80,192</u>	<u>\$ 2,872,154</u>	<u>\$ 1,084,843</u>

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

	Amount of Issue	Amount Outstanding at 12/31/03
Adrian Sand and Stone Inc.	\$ 5,000,000	\$ 2,095,000
Luther Home of Mercy	5,120,000	4,105,000
Otterbein Home	67,960,000	59,845,000
Ottawa Residential Services	4,043,000	3,906,000
Magruder Hospital	7,500,000	6,305,000

OTTAWA COUNTY FINANCIAL CONDITION

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(Continued)**

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, 2003, was \$33,002. A repayment schedule for the loan has not been established.

NOTE 19 - CAPITAL LEASES - LESSEE DISCLOSURE

The County has entered into capitalized leases for equipment. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balance for the governmental funds. Principal payments in 2003 were \$6,902 in the governmental funds.

	<u>Governmental</u>	
		<u>Activities</u>
Equipment	\$	44,699
Less Accumulated Depreciation		<u>(4,401)</u>
Carrying Value, December 31, 2003	\$	<u><u>40,298</u></u>

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2003.

	<u>Governmental Activities</u>	
<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2004	\$ 9,559	\$ 717
2005	9,775	501
2006	6,453	327
2007	6,576	204
2008	6,701	79
2009	564	1
Total	<u>\$ 39,628</u>	<u>\$ 1,829</u>

OTTAWA COUNTY FINANCIAL CONDITION

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(Continued)**

NOTE 20 - INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2003, consisted of the following:

Transfers from General to:	
General Bond Retirement	\$ 166,860
Special Assessment Bond	160
Riverview Nursing Home	6,038
Danbury Sewer	39,662
Regional Water	48,913
Catawba Portage Sewer	18,735
Nonmajor Governmental	581,159
Nonmajor Enterprise	6,066
Internal Service	8,002
<i>Total transfers from General</i>	<u><u>\$ 875,595</u></u>
Transfer from Human Services to:	
Nonmajor Governmental	<u><u>\$ 7,797</u></u>
Transfer from Mental Retardation and Disabilities to:	
Nonmajor Governmental	<u><u>\$ 800,000</u></u>
Transfer from Danbury Sewer to:	
Catawba Portage Sewer	<u><u>\$ 1,003</u></u>
Transfer from Regional Water to:	
Nonmajor Governmental	\$ 105,678
Nonmajor Enterprise	79,754
<i>Total transfers from Regional Water</i>	<u><u>\$ 185,432</u></u>
Transfer from Catawba Portage Sewer to:	
Nonmajor Enterprise	<u><u>\$ 23,525</u></u>
Transfers from Nonmajor Governmental Funds to:	
Human Services	\$ 462,858
General Bond Retirement	155,000
Regional Water	12,000
Nonmajor Governmental	1,000
<i>Total transfers from Nonmajor Governmental</i>	<u><u>\$ 630,858</u></u>
Transfer from Internal Service to:	
Nonmajor Governmental	<u><u>\$ 768</u></u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, move receipts restricted to debt service from the

OTTAWA COUNTY FINANCIAL CONDITION

Notes to the Basic Financial Statements For the Year Ended December 31, 2003 (Continued)

funds collecting the receipts to the debt service fund as debt service payments become due, and use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 21 - 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 food 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 financial statements as the only economic interest related to the stamps rests with the ultimate recipient. Federal food stamp activity for the year was as follows:

Balance at Beginning of Year	\$ 4,865
Amount Received for Distribution	-
Amount Distributed to Entitled Recipients	<u>(3,155)</u>
Balance at End of Year	<u><u>\$ 1,710</u></u>

NOTE 22 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The County maintains ten enterprise funds which are intended to be self-supporting through user fees charged for services provided for care of the elderly and to operate sewer and water districts. Financial segment information for the six nonmajor enterprise funds, some of which are still in the planning and development phase, for the year ended December 31, 2003, was as follows:

	Portage Catawba Water	Sewer District #13	Erie Township Sewer	Plasterbed Rd Water and Sewer	Salem Reserve	PIB Water and Sewer	Total Nonmajor Enterprise
Condensed Statement of Net Assets							
Assets							
Assets							
Interfund Receivable	\$ -	\$ 343	\$ -	\$ 88	\$ 24	\$ -	\$ 455
Other Current Assets	13,596	982,628	4,989	136,921	27,396	16	1,165,546
Capital Assets	80,713	3,553,988	24,317	39,715	-	-	3,698,733
Total Assets	<u>94,309</u>	<u>4,536,959</u>	<u>29,306</u>	<u>176,724</u>	<u>27,420</u>	<u>16</u>	<u>4,864,734</u>
Liabilities							
Liabilities							
Interfund Payables	-	268,898	19,900	-	-	-	288,798
Other Current Liabilities	31,678	763,087	593	181	10	-	795,549
Noncurrent Liabilities	319,525	216,765	-	-	-	-	536,290
Total Liabilities	<u>351,203</u>	<u>1,248,750</u>	<u>20,493</u>	<u>181</u>	<u>10</u>	<u>-</u>	<u>1,620,637</u>
Net Assets							
Invested in Capital Assets,							
Net of Related Debt	(162,287)	2,876,989	24,317	39,715	-	-	2,778,734
Unrestricted	(94,607)	411,220	(15,504)	136,828	27,410	16	465,363
Total Net Assets	<u><u>\$ (256,894)</u></u>	<u><u>\$ 3,288,209</u></u>	<u><u>\$ 8,813</u></u>	<u><u>\$ 176,543</u></u>	<u><u>\$ 27,410</u></u>	<u><u>\$ 16</u></u>	<u><u>\$ 3,244,097</u></u>

(Continued)

OTTAWA COUNTY FINANCIAL CONDITION

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(Continued)**

	Portage Catawba Water	Sewer District #13	Erie Township Sewer	Plasterbed Rd Water and Sewer	Salem Reserve	PIB Water and Sewer	Total Nonmajor Enterprise
Condensed Statement of Revenues, Expenses, and Changes in Net Assets							
Operating Revenues	\$ -	\$ 6,873	\$ -	\$ -	\$ 684	\$ -	\$ 7,557
Depreciation Expense	(9,297)	(83,236)	-	-	-	-	(92,533)
Other Operating Expenses	-	3,016	2,451	1,897	(81)	(7,800)	(517)
Operating Income (Loss)	(9,297)	(73,347)	2,451	1,897	603	(7,800)	(85,493)
Nonoperating Revenues (Expenses)							
Interest Expense	-	(5,956)	-	-	-	-	(5,956)
Other	(12,314)	-	-	-	-	7,800	(4,514)
Capital Contributions	-	438,646	-	39,534	-	-	478,180
Transfers In	35,384	4,460	70	69,114	301	16	109,345
Change in Net Assets	13,773	363,803	2,521	110,545	904	16	491,562
Beginning Net Assets	(270,667)	2,924,406	6,292	65,998	26,506	-	2,752,535
Ending Net Assets	\$ (256,894)	\$ 3,288,209	\$ 8,813	\$ 176,543	\$ 27,410	\$ 16	\$ 3,244,097
Condensed Statement of Cash Flows							
Net Cash Provided (Used) by:							
Operating Activities	\$ -	\$ 14,753	\$ 2,451	\$ 1,897	\$ 612	\$ (7,800)	11,913
Noncapital Financing Activities	35,384	188,593	19,980	69,026	310	16	313,309
Capital and Related Financing Activities	(35,384)	119,517	(25,456)	(41,431)	-	7,800	25,046
Net Increase (Decrease)	-	322,863	(3,025)	29,492	922	16	350,268
Beginning Cash and Cash Equivalents	13,596	109,338	8,014	67,895	26,464	-	225,307
Ending Cash and Cash Equivalents	\$ 13,596	\$ 432,201	\$ 4,989	\$ 97,387	\$ 27,386	\$ 16	\$ 575,575

NOTE 23 - JOINT VENTURES

A. Joint Solid Waste District

The Joint Solid Waste District (District) is a joint venture between Ottawa, Sandusky, and Seneca Counties. The joint venture was formed to make disposal of waste in the three-county area more comprehensive in terms of recycling, incinerating, and waste disposal.

The District is governed and operated by the three Counties. Each of the Counties has contractual obligations with the District and share in the equity of the District based on the percentages of population within the three counties. In the event of dissolution of the District, all members will share in net obligations or asset liquidations in a ratio proportionate to their percentages of population within the member counties at the time of dissolution. The District does not have any outstanding debt.

OTTAWA COUNTY FINANCIAL CONDITION

Notes to the Basic Financial Statements For the Year Ended December 31, 2003 (Continued)

The District consists of a nine-member board of directors, composed of the three commissioners from each county, who are responsible for the District's financial matters. Each county's degree of control over the District is limited to its representation on the board of directors. The District operates autonomously from the County, the County has no financial responsibility for the operations of the District, and the County does not subsidize the District in any way. The District has not accumulated significant financial resources nor is it experiencing fiscal stress that may cause an additional financial benefit to or burden on the County in the future.

The District's sole revenue source is derived from a waste disposal fee for in-district and out-of-district waste. A sixteen-member policy committee, consisting of five members from each county and one at-large member appointed by the board of directors, is responsible for preparing the solid waste management plan of the District in conjunction with a sixteen-member Technical Advisory Council (members appointed by the policy committee). As of December 31, 2003, the County's equity interest in the Joint Solid Waste District was \$314,639. 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. The continued existence of the ADAMHS is dependent on the combined participation of the three counties. The ADAMHS has not accumulated significant financial resources nor is the ADAMHS experiencing fiscal stress that may cause an additional financial benefit to or burden on the County in the future.

The County cannot significantly influence the operations of the ADAMHS Board. The Board has sole budgetary authority and controls surpluses and deficits, and the County is not legally or morally obligated for the Board's debt. During 2003, the County made no contributions 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 (Airport Authority) is a joint venture between Ottawa and Erie Counties. The Airport Authority was formed to provide maintenance of runways and taxiways at the Airport facility. The Airport Authority operates under the direction of a seven-member board of trustees. Three members are appointed by the County Commissioners in each county. The seventh member is appointed at large by the other six. The members serve without compensation as outlined in Section 308.04 of the Ohio Revised Code. The continued existence of the Airport Authority is dependent upon Ottawa County's participation. The Airport Authority has not accumulated significant financial resources nor is the Airport Authority experiencing fiscal stress that may cause an additional financial benefit to or burden on the County in the future. During 2003, the County provided \$346,207 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 FINANCIAL CONDITION

Notes to the Basic Financial Statements For the Year Ended December 31, 2003 (Continued)

NOTE 24 - 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 2003, the County contributed \$182,237 to the Regional Planning Commission.

NOTE 25 - 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 26 - RELATED PARTY TRANSACTIONS

During 2003, 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 \$243,296 for such contributions.

NOTE 27 - 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.

NOTE 28 - SUBSEQUENT EVENTS

On February 10, 2004 a consolidation of two bond anticipation notes in the amount of \$735,000 was issued for Brush Wellman Project (\$100,000) and Portage/Catawba Island Project (\$635,000) and water system improvement bond anticipation notes were issued in the amount of \$335,000 for Gypsum Project.

On October 1, 2004 sanitary sewer system improvement bond anticipation notes were issued in the amount of \$565,000 for Clay Center Project.

OTTAWA COUNTY FINANCIAL CONDITION

Notes to the Basic Financial Statements For the Year Ended December 31, 2003 (Continued)

On November 3, 2004 voters approved a 0.3 mil levy for senior services to provide assistance to the senior citizens of Ottawa County.

On December 8, 2004 the County purchased property for the construction of new facilities for the Board of Mental Retardation and the Ottawa County Transportation Agency.

On February 8, 2005 sanitary sewer improvement bond anticipation notes were issued in the amount of \$500,000 for Portage/Catawba Island Project.

On April 1, 2005 sanitary sewer system improvement bond anticipation notes were issued in the amount of \$1,250,000 for State Road Project.

OTTAWA COUNTY

**Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2003**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disburse- ments
UNITED STATES DEPARTMENT OF JUSTICE			
<i>Passed Through Ohio Attorney General's Office</i>			
Crime Victims Assistance	2003VAGENE248	16.575	\$ 27,669
	2004VAGENE248		6,678
<i>Total Crime Victims Assistance</i>			<u>34,347</u>
<i>Passed Through Erie County</i>			
Byrne Formula Grant Program	02-DG-A01-7005	16.579	<u>37,549</u>
Total Department of Justice			<u>71,896</u>
UNITED STATES DEPARTMENT OF TRANSPORTATION			
<i>Passed Through Ohio Department of Transportation</i>			
Rural Transit Grant Program	OH-18-X021	20.509	181,393
Title III B	n/a	93.044	<u>24,301</u>
Total Department of Transportation			<u>205,694</u>
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities</i>			
Social Services Block Grant	FY 03	93.667	52,563
Targeted Case Management	FY 03-04	93.778	180,297
Community Alternative Funding System	FY 03-04	93.778	<u>923,047</u>
Total Department of Health and Human Services			<u>1,155,907</u>
UNITED STATES DEPARTMENT OF LABOR			
<i>Passed Through Ohio Department of Jobs and Family Services</i>			
<u>Workforce Investment Act (WIA) Cluster:</u>			
Workforce Investment Act - Adult	n/a	17.258	288,708
Workforce Investment Act - Youth	n/a	17.259	227,655
Workforce Investment Act - Dislocated Worker	n/a	17.260	<u>189,896</u>
<i>Total WIA Cluster</i>			706,259
Promoting Safe and Stable Families	n/a	93.556	12,315
Child Welfare - State Grants	n/a	93.645	35,454
Chaffee Foster Care Independent Living	n/a	93.674	<u>1,786</u>
Total Department of Labor			<u>755,814</u>

(Continued)

OTTAWA COUNTY

**Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2003
(Continued)**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disburse- ments
UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed Through Ohio Department of Development</i>			
Community Development Block Grant - Small Cities Program and Emergency Shelter Program	B-F-01-057-1 B-F-02-057-1 B-C-00-051-1 B-C-02-057-1	14.228	92,986 23,522 116 105,457
<i>Total CDBG - Small Cities Program</i>			<u>222,081</u>
Home Investment Partnerships Program	B-C-02-057-2	14.239	<u>130,334</u>
Total Department of Housing and Urban Development			<u>352,415</u>
FEDERAL EMERGENCY MANAGEMENT AGENCY			
<i>Passed Through Ohio Department Of Public Safety</i>			
Emergency Management Performance Grant FEMA Supplemental Planning Grant	S03-FE03-62-0307 n/a	97.042 97.051	32,800 <u>6,549</u> 39,349
<i>Total Emergency Management Performance Grants</i>			
State Domestic Preparedness Equipment Grant	S01-JE00-62-0062-J8909 S02-JE01-62-0062-J8909 S03-JE02-62-0062-J8909	97.004	9,768 5,431 28,394
<i>Total State Domestic Preparedness Equipment Grant</i>			<u>43,593</u>
Hazard Mitigation Grant Program - Elevation Project	FEMA-DR-1339-OH	97.039	<u>73,827</u>
Total Emergency Management Agency			<u>156,769</u>
TOTAL FEDERAL AWARDS EXPENDITURES			<u>\$ 2,698,495</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE.

OTTAWA COUNTY FINANCIAL CONDITION

Notes to the Schedule of Federal Awards Expenditures Fiscal Year Ended December 31, 2003

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, 2003, the total amount of loans outstanding was \$505,790.

NOTE C - MATCHING REQUIREMENTS

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

NOTE D - U.S. Department of Homeland Security Federal Awards

The Federal Homeland Security Act of 2002 established the Department of Homeland Security (the Department) to consolidate functions of other Federal agencies related to homeland security. Effective January 24, 2003, the Department began to administer certain Federal awards the County previously received from other Federal agencies. The accompanying Federal Awards Expenditure Schedule reports all such 2003 award amounts under the Department's Catalog of Federal Domestic Assistance (CFDA) numbers. The purposes and compliance requirement of these programs has not changed. A comparison of the former Federal agencies and CFDA numbers the County reported in its 2002 Federal Award Expenditure Schedule compared with the Department's CFDA numbers reported in the 2003 Schedule follows:

	CFDA No Used In	Homeland Security CFDA No. Used In
<u>Previous Federal Agency</u>	<u>2002</u>	<u>2003</u>
Department of Justice	16.007	97.004
Federal Emergency Management Agency	83.548	97.039
Federal Emergency Management Agency	83.552	97.042

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**Auditor of State
Betty Montgomery**

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

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

To the Board of County Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of Ottawa County (the County) as of and for the year ended December 31, 2003, which collectively comprise the County's basic financial statements and have issued our report thereon dated April 15, 2005, wherein we noted the County implemented a new financial reporting model, as required by the provisions of Government Accounting Standards Board Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments* and changed its capital assets threshold policy. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the County's management dated April 15, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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www.auditor.state.oh.us

Compliance and Other Matters

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the County's management dated April 15, 2005, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, the Board of County Commissioners, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

April 15, 2005



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT 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 County Commissioners:

Compliance

We have audited the compliance of Ottawa 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, 2003. 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, 2003.

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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a 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. 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 the audit committee, management, 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.



Betty Montgomery
Auditor of State

April 15, 2005

OTTAWA COUNTY FINANCIAL CONDITION

Schedule of Findings
OMB Circular A -133 § .505
December 31, 2003

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Workforce Investment Act (WIA) Cluster - CFDA Nos. 17.258, 17.259 & 17.260 and Medical Assistance Program – CFDA No. 93.778
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

OTTAWA COUNTY FINANCIAL CONDITION

**Schedule of Prior Audit Findings
December 31, 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2002-001	Ohio Revised Code § 5705.41(D), failure to encumber funds	No	Partially corrected. Reported in the Management Letter.



**Auditor of State
Betty Montgomery**

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FINANCIAL CONDITION

OTTAWA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED

MAY 31, 2005