



**Auditor of State
Betty Montgomery**

**FINANCIAL CONDITION
OTTAWA COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Ottawa County
315 Madison Street, Suite 103
Port Clinton, Ohio 43452-1943

To the Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of Ottawa County, Ohio (the County), as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of Ottawa County, Ohio, as of December 31, 2004, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General; Road and Bridge, Job and Family Services; Mental Retardation and Developmental Disabilities; and Ottawa County Senior Program funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2006, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the County's basic financial statements. The federal awards expenditure schedule is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is 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.

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

Betty Montgomery
Auditor of State

March 9, 2006

**FINANCIAL CONDITION
OTTAWA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED**

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, 2004. The intent of this discussion and analysis is to look at the County's financial performance as a whole.

Highlights

Key highlights for 2004 are as follows:

- In total, the County's net assets increased by \$7,258,266 or 6 percent, which is not a significant change. Net assets for governmental activities increased \$2,470,618, or 6 percent, and net assets for business-type activities increased \$4,787,648, or 5 percent.
- The County fully retired the 1984 Courthouse Construction and Detention Facility bonds as well as the 1984 Health Care Facility bonds.
- In 2003, county residents approved a new 1.4 mill levy for the Ottawa County Board of Mental Retardation and Developmental Disabilities. Collection on this levy began in 2004 and is a continuing levy. In November 2004, county residents approved a .3 mill levy for senior programs. This is a three year levy with the first year of collection in 2005. The levy will be used to maintain and expand services to Ottawa County senior citizens.
- The following projects were started in 2004: Danbury Township wastewater improvements, the Golf Lane waterline, the regional water plant expansion, the regional water valve bolt corrosion project, and the Clay Center and State Road sewer projects. OWDA and OPWC monies were obtained to fund these projects.
- Several projects were completed in 2004 including the Plasterbed Road water and sewer line, the Portage Catawba Island pump station, and the Allen Clay phase III sewer line expansion.

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 nonmajor funds in a single column. The County's major funds are the General, Road and Bridge, Job and Family Services, Mental Retardation and Developmental Disabilities, Ottawa County Senior Programs, 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 2004. 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.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(Continued)**

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 for these changes may be the result of many factors, some financial, some not. Non-financial factors include the County's 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:

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

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

Component Unit - The County's financial statements include financial data for Riverview Industries, Inc. This component unit is more fully described in Notes 1 and 25 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, Job and Family Services, Mental Retardation and Developmental Disabilities, Ottawa County Senior Programs, 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 balances provide a reconciliation to help make this comparison between governmental funds and governmental activities.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
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(Continued)**

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.

Government-Wide Financial Analysis

Table 1 provides a summary of the County's net assets for 2004 and 2003.

**Table 1
Net Assets**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
<u>Assets</u>						
Current and Other Assets	\$48,089,336	\$48,596,888	\$20,425,513	\$18,640,066	\$68,514,849	\$67,236,954
Capital Assets, Net	33,830,346	32,999,621	136,841,003	126,545,469	170,671,349	159,545,090
Total Assets	<u>81,919,682</u>	<u>81,596,509</u>	<u>157,266,516</u>	<u>145,185,535</u>	<u>239,186,198</u>	<u>226,782,044</u>
<u>Liabilities</u>						
Current and Other Liabilities	10,363,532	10,591,239	5,294,254	3,737,382	15,657,786	14,328,621
Long-Term Liabilities	28,759,771	30,679,509	57,185,551	51,449,090	85,945,322	82,128,599
Total Liabilities	<u>39,123,303</u>	<u>41,270,748</u>	<u>62,479,805</u>	<u>55,186,472</u>	<u>101,603,108</u>	<u>96,457,220</u>
<u>Net Assets</u>						
Invested in Capital Assets, Net of Related Debt	28,367,332	27,198,162	80,543,965	77,343,991	108,911,297	104,542,153
Restricted	11,829,519	10,413,627	2,740,635	3,083,762	14,570,154	13,497,389
Unrestricted	2,599,528	2,713,972	11,502,111	9,571,310	14,101,639	12,285,282
Total Net Assets	<u>\$42,796,379</u>	<u>\$40,325,761</u>	<u>\$94,786,711</u>	<u>\$89,999,063</u>	<u>\$137,583,090</u>	<u>\$130,324,824</u>

The above table demonstrates that there was an increase in net assets for both governmental and business-type activities from 2003 to 2004.

For governmental activities, the only changes of note were the decrease in long-term liabilities due to the retirement of debt and the increase in restricted net assets. Much of the increase in restricted net assets can be attributed to the 1.4 mill levy for mental retardation and developmental disabilities. Collections on this levy began in 2004 and tax revenues for 2004 were greater than 2003 by \$1,519,382.

**FINANCIAL CONDITION
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
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While the overall increase in net assets for business-type activities was not that significant, 5 percent, there were a number of changes worth noting. The increase in current and other assets is made up of a combination of accounts and intergovernmental receivables. The increase in capital assets, almost \$10.3 million, is primarily the result of construction activities. The County had a number of projects under construction during 2004 including the Danbury wastewater expansion, the Danbury pump station, the Regional Water Treatment Plant expansion, the Regional Water corrosion project, and the Catawba Portage and State Road sewer projects. This increase is also reflected in the increase in long-term liabilities (as debt was issued to fund some of these projects) and also in the increase in invested in capital assets, net of related debt.

The increase in current and other liabilities can also be attributed to construction related activities.

Restricted net assets decreased in 2004 as resources restricted for renewal and replacement were spent for various system improvements and unrestricted net assets increased, the result of operating profits.

Table 2 reflects the change in net assets for 2004 and 2003.

**Table 2
Change in Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
<u>Revenues</u>						
Program Revenues						
Charges for Services	\$7,594,701	\$6,319,628	\$18,418,720	\$17,224,937	\$26,013,421	\$23,544,565
Operating Grants and Contributions	11,640,570	11,459,608	62,531		11,703,101	11,459,608
Capital Grants and Contributions			4,230,292	1,601,013	4,230,292	1,601,013
Total Program Revenues	<u>19,235,271</u>	<u>17,779,236</u>	<u>22,711,543</u>	<u>18,825,950</u>	<u>41,946,814</u>	<u>36,605,186</u>
General Revenues						
Property Taxes Levied for						
General Operating	2,792,026	2,707,039			2,792,026	2,707,039
Human Services-Mental Retardation and Developmental Disabilities	4,299,061	3,014,220			4,299,061	3,014,220
Human Services-Ottawa County Senior Programs	22,011				22,011	
Debt Service	223,782	217,610			223,782	217,610
Riverview Nursing Home			616,278	657,271	616,278	657,271
Permissive Sales Taxes	4,789,193	4,674,252			4,789,193	4,674,252
Grants and Entitlements not Restricted for Specific Programs	1,348,867	1,351,611			1,348,867	1,351,611
Interest	1,329,436	1,341,703		27,027	1,329,436	1,368,730
Other	1,362,894	1,794,566	321,467	304,993	1,684,361	2,099,559
Total General Revenues	<u>16,167,270</u>	<u>15,101,001</u>	<u>937,745</u>	<u>989,291</u>	<u>17,105,015</u>	<u>16,090,292</u>
Total Revenues	<u>35,402,541</u>	<u>32,880,237</u>	<u>23,649,288</u>	<u>19,815,241</u>	<u>59,051,829</u>	<u>52,695,478</u>

(continued)

**FINANCIAL CONDITION
OTTAWA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(Continued)**

**Table 2
Change in Net Assets
(continued)**

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
<u>Program Expenses</u>						
General Government						
Legislative and Executive	\$4,963,686	\$4,255,902			\$4,963,686	\$4,255,902
Judicial	2,658,896	2,461,633			2,658,896	2,461,633
Public Safety						
Building Inspection	436,424	428,480			436,424	428,480
Sheriff	4,132,319	4,013,757			4,132,319	4,013,757
Other	1,769,579	1,476,753			1,769,579	1,476,753
Public Works	4,241,609	4,305,825			4,241,609	4,305,825
Health	500,021	520,858			500,021	520,858
Human Services						
Job and Family Services	3,298,874	3,394,246			3,298,874	3,394,246
Mental Retardation and Developmental Disabilities	5,393,196	4,128,964			5,393,196	4,128,964
Child Support Enforcement	623,173	634,516			623,173	634,516
Agency						
Other	3,376,967	3,215,292			3,376,967	3,215,292
Conservation and Recreation	111,829	124,145			111,829	124,145
Economic Development and Assistance	4,499	3,802			4,499	3,802
Other		4,655				4,655
Internal Service Fund-External Portion	177,098	127,996			177,098	127,996
Interest and Fiscal Charges	1,179,559	1,234,279			1,179,559	1,234,279
Riverview Nursing Home			\$9,524,617	\$8,605,928	9,524,617	8,605,928
Danbury Sewer			2,037,221	1,888,454	2,037,221	1,888,454
Regional Water			3,961,466	3,870,985	3,961,466	3,870,985
Catawba Portage Sewer			3,033,539	2,454,651	3,033,539	2,454,651
Other Enterprise			368,991	873,661	368,991	873,661
Total Expenses	<u>32,867,729</u>	<u>30,331,103</u>	<u>18,925,834</u>	<u>17,693,679</u>	<u>51,793,563</u>	<u>48,024,782</u>
Increase in Net Assets before Transfers	2,534,812	2,549,134	4,723,454	2,121,562	7,258,266	4,670,696
Transfers	(64,194)	(25,736)	64,194	25,736		
Increase in Net Assets	<u>\$2,470,618</u>	<u>\$2,523,398</u>	<u>\$4,787,648</u>	<u>\$2,147,298</u>	<u>\$7,258,266</u>	<u>\$4,670,696</u>

**FINANCIAL CONDITION
OTTAWA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(Continued)**

Once again in 2004, the County was able to maintain increases in net assets for both governmental and business-type activities.

Program revenues, which represented 54 percent of total revenues for governmental activities, were quite comparable to the prior year. The greatest portion of program revenues consists of operating grants and contributions. The public works program, primarily the Engineer, receives a significant amount of resources from state levied gasoline taxes and motor vehicle licenses. The health and human services programs also receive substantial grant resources to fund those programs. General revenues were also very comparable to the prior year. The primary sources of general revenues are property and sales taxes. The one increase of note is the increase in property taxes for mental retardation and developmental disabilities, the result of the 1.4 mill levy described previously.

A review of governmental activities expenses reveals little change here as well. The programs which continue to account for the largest costs are legislative and executive (which are general government operations), the sheriff, public works (the engineer), and the human services programs of job and family services and mental retardation and developmental disabilities. These programs account for 67 percent of all governmental expenses.

Business-type activities are primarily funded through program revenues, with approximately 78 percent of the revenues coming from charges for services in 2004. Charges for services revenues increased by \$1.2 million in 2004, due in part to rate increases at Riverview Nursing Home and an increase in water and sewer rates. The Danbury Sewer and Catawba Portage Sewer funds received contributions from developers for sewer line projects and capital grants were obtained to expand the wastewater treatment plant, rehabilitate the pump station, and fund a portion of the construction of the State Road sewer lines.

While overall there was an increase in expenses for business-type activities of \$1.2 million from the prior year, this increase was not very significant.

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.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(Continued)**

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2004	2003	2004	2003
General Government				
Legislative and Executive	\$4,963,686	\$4,255,902	\$2,303,126	\$1,779,196
Judicial	2,658,896	2,461,633	1,476,140	1,259,305
Public Safety				
Building Inspection	436,424	428,480	(73,289)	(415)
Sheriff	4,132,319	4,013,757	3,833,661	3,683,010
Other	1,769,579	1,476,753	1,184,962	763,047
Public Works	4,241,609	4,305,825	(1,399,949)	(663,440)
Health	500,021	520,858	392,250	424,485
Human Services				
Job and Family Services	3,298,874	3,394,246	571,422	317,494
Mental Retardation and Developmental Disabilities	5,393,196	4,128,964	3,305,033	1,795,847
Child Support Enforcement Agency	623,173	634,516	(208,818)	(210,011)
Other	3,376,967	3,215,292	1,104,481	2,194,225
Conservation and Recreation	111,829	124,145	21,409	38,852
Economic Development and Assistance	4,499	3,802	2,166	2,166
Other		4,655		4,655
Internal Service Fund-External Portion	177,098	127,996	(59,695)	(70,828)
Interest and Fiscal Charges	1,179,559	1,234,279	1,179,559	1,234,279
Total Expenses	<u>\$32,867,729</u>	<u>\$30,331,103</u>	<u>\$13,632,458</u>	<u>\$12,551,867</u>

**FINANCIAL CONDITION
OTTAWA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
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(Continued)**

For 2004, for over 41 percent of the services provided by the County were paid for through general revenues and remains consistent with general revenue support in prior years. However, a review of the above table demonstrates that program revenues contributed significantly to several programs. Building inspection, public works, child support, and the external portion of the internal service fund were funded in excess of the costs through program revenues. Building inspection costs are recovered through charges for services, the bulk of which consists of selling various types of permits. Charges for services for the public works program consist of work performed by the County Engineer for townships and villages within the county. The public works program also receives a significant amount of operating and grants contributions, primarily from state levied shared gas taxes and motor vehicle licenses. The Child Support Enforcement Agency (CSEA) receives a significant number of grants to fund its programs. Again in 2004, charges for services for the external portion of the internal service fund were in excess of its costs.

Governmental Funds Financial Analysis

The County's major governmental funds are the General Fund, the Road and Bridge, Job and Family Services, Mental Retardation and Developmental and Disabilities, Ottawa County Senior Programs special revenue funds, and the Special Assessment Bond debt service fund.

For the General Fund, revenues exceeded expenditures for the year; however, due to transfers made to subsidize the operations of other funds, the fund balance for this fund decreased a little over 9 percent. While expenditures exceeded revenues in the Road and Bridge fund, the decrease in fund balance was not significant. The Job and Family Services fund reflects an increase in fund balance. A review of this fund's activity demonstrates that expenditures exceeded revenues for this fund as well; however, transfers received to subsidize operations resulted in the overall fund balance increase. The Mental Retardation and Developmental Disabilities fund began collections of a new levy in 2004. As a result, revenues for this fund increased 34.5 percent from the prior year. Expenditures also increased, but only 28.9 percent. As a result, this fund experienced a sizable increase in fund balance. The Ottawa County Senior Programs fund was a new fund for 2004 resulting from a .3 mill tax levy approved for senior programs throughout the County. Because the amount needed for debt retirement exceeded the assessments collected, the fund balance in the Special Assessment Bond fund decreased for the year.

Business-Type Activities Financial Analysis

As can be seen on the statement of revenues, expenses, and changes in fund net assets, all the County's enterprise funds experienced an increase in net assets for 2004; however, none of these increases was very significant, except for Riverview Nursing Home of 10% and Danbury Sewer of 11%. These increases were attributed to higher occupancy in the Riverview Nursing Home and note proceeds for a construction project for Danbury Sewer.

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 ordinance which is effective the first day of January.

The County's most significant budgeted fund is the General Fund. A review of this fund's activity reveals that modifications for revenues from the original to final budget were very minor, as were the changes from the final budget to the actual revenues received. Final appropriations increased 8 percent from amounts originally budgeted due expenditures not anticipated at the beginning of the year. The change from actual expenditures to the amounts in the final budget was very insignificant. The County will continue to monitor appropriations and expenditures as the fund balance in the General Fund has declined over the past several years.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
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(Continued)**

Capital Assets and Debt Administration

Capital Assets - The County's investment in capital assets for governmental and business-type activities as of December 31, 2004, was \$28,367,332 and \$80,543,965, respectively (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings and building improvements, improvements other than buildings, roads, bridges, equipment, vehicles, and water and sewer lines. The most significant change in capital assets for governmental activities occurred in the additions of roads and bridges. The prior year reflected \$251,597 in construction in progress for the Langrum Road bike path. This project was completed during 2004. Significant changes in business type activities occurred from \$10 million in construction in progress for the Danbury wastewater treatment plant expansion and pump station rehabilitation, regional water expansion, and the State Road sewer project. There was also a significant increase in water and sewer line projects. For further information regarding the County's capital assets, refer to Note 10 to the basic financial statements.

Debt - At December 31, 2004, the County had \$100,000 and \$1,885,000 in outstanding bond anticipation notes payable from governmental and business-type activities, respectively. The County also had various long-term obligations outstanding. These obligations included \$7,070,602 in general obligation bonds, \$15,088,678 in Ohio Water Development Authority loans, and \$5,239,710 in special assessment bonds to be repaid from governmental activities and \$17,963,546 in general obligation revenue bonds, \$1,291,038 in Ohio Water and Sewer Loans, \$33,793,887 in Ohio Water Development Authority loans, \$1,027,936 in Ohio Public Works Commission loans, and \$2,746,547 in an Ohio Environmental Protection Agency loan to be repaid from business-type activities.

In addition to the debt outlined above, the County's long-term obligations also include compensated absences and capital leases. For further information regarding the County's long-term obligations, refer to Notes 17, 18, and 19, to the basic financial statements.

Current Issues

In 2006, the County will begin operating six senior centers located in Danbury, Elmore, Genoa, Oak Harbor, Port Clinton, and Put in Bay. This is the result of the passage of a seniors program levy in November 2004.

Construction will soon begin on a new Board of Mental Retardation and Developmental Disabilities building and the Ottawa County Transportation Agency building. Completion is expected in the fall of 2006. The County will also be making improvements to other County buildings to make them more energy efficient. Bond anticipation notes were issued in June 2005 to fund these improvements.

The Sanitary Engineer will be working on the following projects in 2006: Sand Road Waterline Replacement, Allen Clay Sewer Phase IV, Erie Township Sewer, and the Put in Bay Waterline. The targeted completion for all of these projects is mid-2007.

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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**FINANCIAL CONDITION
OTTAWA COUNTY**

**Statement of Net Assets
Primary Government and Discretely Presented Component Unit
December 31, 2004**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Riverview Industries, Inc.
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$12,770,861	\$13,556,667	\$26,327,528	
Cash and Cash Equivalents in Segregated Accounts	55,556		55,556	\$432,560
Cash and Cash Equivalents with Fiscal Agents		887,308	887,308	
Cash and Cash Equivalents with Escrow Agents		55,949	55,949	
Accounts Receivable	58,157	1,933,763	1,991,920	114,563
Permissive Sales Taxes Receivable	688,239		688,239	
Due from Other Governments	3,436,842	2,645,100	6,081,942	
Other Local Taxes Receivable	31,868		31,868	
Due from External Parties	1,469	240	1,709	
Internal Balances	440,147	(440,147)		
Prepaid Items	57,735	38,745	96,480	11,778
Materials and Supplies Inventory	356,141	471,286	827,427	3,601
Property Taxes Receivable	8,178,290	623,995	8,802,285	
Special Assessments Receivable	20,699,792	303,946	21,003,738	
Loans Receivable	1,080,664		1,080,664	
Unamortized Bond Issuance Costs	104,465	348,661	453,126	
Investment in Joint Ventures	129,110		129,110	
Nondepreciable Capital Assets	1,176,777	15,446,747	16,623,524	
Depreciable Capital Assets, Net	32,653,569	121,394,256	154,047,825	84,577
Total Assets	81,919,682	157,266,516	239,186,198	647,079
<u>Liabilities</u>				
Accrued Wages and Benefits Payable	229,966	125,686	355,652	77,992
Accounts Payable	385,066	583,017	968,083	27,483
Matured Compensated Absences Payable	51,027		51,027	
Contracts Payable	150,502	419,176	569,678	
Due to Other Governments	421,378	478,813	900,191	8,486
Due to External Parties	48,084		48,084	
Retainage Payable		454,510	454,510	
Claims Payable	576,544		576,544	
Deferred Revenue	7,977,835	609,167	8,587,002	
Notes Payable	100,000	1,885,000	1,985,000	
Accrued Interest Payable	423,130	738,885	1,162,015	
Long-Term Liabilities:				
Due Within One Year	2,139,935	2,028,273	4,168,208	4,696
Due in More Than One Year	26,619,836	55,157,278	81,777,114	103,530
Total Liabilities	39,123,303	62,479,805	101,603,108	222,187
<u>Net Assets</u>				
Invested in Capital Assets, Net of Related Debt	28,367,332	80,543,965	108,911,297	49,687
Restricted for:				
Capital Projects	464,095		464,095	
Debt Service	787,051		787,051	
Other Purposes	10,578,373		10,578,373	
Revenue Bond Current Debt Service		903,165	903,165	
Revenue Bond Renewal and Replacement		119,858	119,858	
Revenue Bond Construction		898,322	898,322	
Revenue Bond Future Debt Service		819,290	819,290	
Unrestricted	2,599,528	11,502,111	14,101,639	375,205
Total Net Assets	\$42,796,379	\$94,786,711	\$137,583,090	\$424,892

See Accompanying Notes to the Basic Financial Statements

**FINANCIAL CONDITION
OTTAWA COUNTY**

**Statement of Activities
Primary Government and Discretely Presented Component Unit
For the Year Ended December 31, 2004**

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	
<u>Governmental Activities</u>				
General Government				
Legislative and Executive	\$4,963,686	\$2,612,604	\$47,956	
Judicial	2,658,896	937,590	245,166	
Public Safety				
Building Inspection	436,424	509,713		
Sheriff	4,132,319	291,610	7,048	
Other	1,769,579	11,127	573,490	
Public Works	4,241,609	1,664,751	3,976,807	
Health	500,021	107,771		
Human Services				
Job and Family Services	3,298,874		2,727,452	
Mental Retardation and Developmental Disabilities	5,393,196	134,693	1,953,470	
Child Support Enforcement Agency	623,173		831,991	
Other	3,376,967	1,085,716	1,186,770	
Conservation and Recreation	111,829		90,420	
Economic Development and Assistance	4,499	2,333		
Internal Service Fund-External Portion	177,098	236,793		
Interest and Fiscal Charges	1,179,559			
Total Governmental Activities	32,867,729	7,594,701	11,640,570	
<u>Business-Type Activities</u>				
Riverview Nursing Home	9,524,617	9,641,370	56,109	
Danbury Sewer	2,037,221	2,347,220	5,095	\$1,436,395
Regional Water	3,961,466	4,246,509		573,065
Catawba Portage Sewer	3,033,539	1,899,910	1,327	1,437,249
Other Enterprise	368,991	283,711		783,583
Total Business-Type Activities	18,925,834	18,418,720	62,531	4,230,292
Total Primary Government	\$51,793,563	\$26,013,421	\$11,703,101	\$4,230,292
<u>Component Unit</u>				
Riverview Industries, Inc.	\$2,088,915	\$2,213,186		
<u>General Revenues</u>				
Property Taxes Levied for:				
General Operating				
Human Services - Mental Retardation and Developmental Disabilities				
Human Services - Ottawa County Senior Programs				
Debt Service				
Riverview Nursing Home				
Permissive Sales Taxes				
Grants and Entitlements not Restricted for Specific Programs				
Interest				
Other				
Total General Revenues				
Transfers				
Change in Net Assets				
Net Assets Beginning of Year - Restated (See Note 3)				
Net Assets End of Year				

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue and Change in Net Assets			Component Unit
Primary Government			Riverview Industries, Inc.
Governmental Activities	Business-Type Activities	Total	
(\$2,303,126)		(\$2,303,126)	
(1,476,140)		(1,476,140)	
73,289		73,289	
(3,833,661)		(3,833,661)	
(1,184,962)		(1,184,962)	
1,399,949		1,399,949	
(392,250)		(392,250)	
(571,422)		(571,422)	
(3,305,033)		(3,305,033)	
208,818		208,818	
(1,104,481)		(1,104,481)	
(21,409)		(21,409)	
(2,166)		(2,166)	
59,695		59,695	
(1,179,559)		(1,179,559)	
(13,632,458)		(13,632,458)	
	\$172,862	172,862	
	1,751,489	1,751,489	
	858,108	858,108	
	304,947	304,947	
	698,303	698,303	
	3,785,709	3,785,709	
(13,632,458)	3,785,709	(9,846,749)	
			\$124,271
2,792,026		2,792,026	
4,299,061		4,299,061	
22,011		22,011	
223,782		223,782	
	616,278	616,278	
4,789,193		4,789,193	
1,348,867		1,348,867	
1,329,436		1,329,436	5,182
1,362,894	321,467	1,684,361	
16,167,270	937,745	17,105,015	5,182
(64,194)	64,194		
2,470,618	4,787,648	7,258,266	129,453
40,325,761	89,999,063	130,324,824	295,439
\$42,796,379	\$94,786,711	\$137,583,090	\$424,892

**FINANCIAL CONDITION
OTTAWA COUNTY**

**Balance Sheet
Governmental Funds
December 31, 2004**

	General	Road and Bridge	Job and Family Services	Mental Retardation and Developmental Disabilities
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$776,464	\$2,067,738	\$249,398	\$2,524,156
Cash and Cash Equivalents in Segregated Accounts	48,311			
Accounts Receivable	313	452	20	145
Permissive Sales Taxes Receivable	688,213			
Due from Other Governments	628,112	1,593,228	356,780	219,791
Other Local Taxes Receivable		31,868		
Due from External Parties	1,469			
Interfund Receivable	1,461,330	8,355		
Prepaid Items	33,809	7,987	3,056	4,683
Materials and Supplies Inventory	128,570	184,092	35,399	541
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	58,182			
Property Taxes Receivable	3,118,774			4,402,178
Special Assessments Receivable				
Loans Receivable	551,600			
Total Assets	\$7,495,147	\$3,893,720	\$644,653	\$7,151,494
<u>Liabilities</u>				
Accrued Wages and Benefits Payable	\$112,646	\$30,634	\$29,261	\$24,500
Accounts Payable	110,900	60,476	66,857	54,720
Matured Compensated Absences Payable	14,199	23,037	13,791	
Contracts Payable		96,975		
Due to Other Governments	186,401	38,373	23,299	25,563
Due to External Parties	2,120		18,231	5,198
Interfund Payable	47,978		1,717	10,431
Deferred Revenue	3,933,254	1,327,396	356,051	4,606,691
Total Liabilities	4,407,498	1,576,891	509,207	4,727,103
<u>Fund Balance</u>				
Reserved for Unclaimed Monies	58,182			
Reserved for Loans Receivable	486,600			
Reserved for Encumbrances	244,687	12,224	158,925	197,047
Unreserved, Reported in:				
General Fund	2,298,180			
Special Revenue Funds (Deficit)		2,304,605	(23,479)	2,227,344
Debt Service Funds				
Capital Projects Funds (Deficit)				
Total Fund Balance	3,087,649	2,316,829	135,446	2,424,391
Total Liabilities and Fund Balance	\$7,495,147	\$3,893,720	\$644,653	\$7,151,494

See Accompanying Notes to the Basic Financial Statements

Ottawa County Senior Programs	Special Assessment Bond	Other Governmental	Total
\$12,448	\$188,654	\$4,848,159	\$10,667,017
		7,245	55,556
2,309		54,918	58,157
		26	688,239
21,113		617,818	3,436,842
			31,868
			1,469
	23	43,881	1,513,589
		8,200	57,735
		7,539	356,141
			58,182
442,186		215,152	8,178,290
	20,575,306	124,486	20,699,792
		529,064	1,080,664
<u>\$478,056</u>	<u>\$20,763,983</u>	<u>\$6,456,488</u>	<u>\$46,883,541</u>
\$105		\$32,820	\$229,966
1,578		90,535	385,066
			51,027
		53,527	150,502
80		147,662	421,378
		22,535	48,084
3,480	45,628	449,979	559,213
463,299	20,575,306	778,633	32,040,630
<u>468,542</u>	<u>20,620,934</u>	<u>1,575,691</u>	<u>33,885,866</u>
			58,182
		519,003	1,005,603
269		763,899	1,377,051
			2,298,180
9,245		2,660,709	7,178,424
	143,049	996,096	1,139,145
		(58,910)	(58,910)
<u>9,514</u>	<u>143,049</u>	<u>4,880,797</u>	<u>12,997,675</u>
<u>\$478,056</u>	<u>\$20,763,983</u>	<u>\$6,456,488</u>	<u>\$46,883,541</u>

**FINANCIAL CONDITION
OTTAWA COUNTY**

**Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
December 31, 2004**

Total Governmental Fund Balances	\$12,997,675
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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.	33,830,346
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The investment in joint venture is not a financial resource and, therefore, is not reported in the funds.	129,110
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Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:

Permissive Sales Taxes Receivable	\$275,909	
Due from Other Governments	2,885,097	
Property Taxes Receivable	201,997	
Special Assessments Receivable	<u>20,699,792</u>	
		24,062,795

Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in the funds.	104,465
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An internal balance is recorded in governmental activities to reflect overpayments to the internal service fund by the business-type activities.	(517,848)
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Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Accrued Interest Payable	(423,130)	
Notes Payable	(100,000)	
General Obligation Bonds Payable	(7,070,602)	
OWDA Loans Payable	(15,088,678)	
Special Assessment Bonds Payable	(5,239,710)	
Compensated Absences Payable	(1,330,712)	
Capital Leases Payable	<u>(30,069)</u>	
		(29,282,901)

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.

	<u>1,472,737</u>
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Net Assets of Governmental Activities	<u><u>\$42,796,379</u></u>
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See Accompanying Notes to the Basic Financial Statements

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**FINANCIAL CONDITION
OTTAWA COUNTY**

**Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2004**

	<u>General</u>	<u>Road and Bridge</u>	<u>Job and Family Services</u>	<u>Mental Retardation and Developmental Disabilities</u>
<u>Revenues</u>				
Property Taxes	\$2,858,290			\$4,409,202
Permissive Sales Taxes	4,859,466			
Other Local Taxes		487,678		
Special Assessments				
Charges for Services	2,569,733	865,436		134,693
Licenses and Permits	202,549			
Fines and Forfeitures	461,633	30,855		
Intergovernmental	1,459,142	3,425,592	2,873,525	2,143,635
Interest	422,248			
Other	279,883	2,162	159,857	20,517
Total Revenues	<u>13,112,944</u>	<u>4,811,723</u>	<u>3,033,382</u>	<u>6,708,047</u>
<u>Expenditures</u>				
Current:				
General Government				
Legislative and Executive	3,925,178			
Judicial	2,141,782			
Public Safety				
Building Inspection	442,440			
Sheriff	4,015,386			
Other	875,005			
Public Works	10,101	4,951,576		
Health	391,901			
Human Services				
Job and Family Services			3,261,250	
Mental Retardation and Developmental Disabilities				5,422,907
Child Support Enforcement Agency				
Other	796,003			
Conservation and Recreation				
Economic Development and Assistance				
Other				
Capital Outlay				
Debt Service:				
Principal Retirement				9,559
Interest and Fiscal Charges				717
Total Expenditures	<u>12,597,796</u>	<u>4,951,576</u>	<u>3,261,250</u>	<u>5,433,183</u>
Excess of Revenues Over (Under) Expenditures	<u>515,148</u>	<u>(139,853)</u>	<u>(227,868)</u>	<u>1,274,864</u>
<u>Other Financing Sources (Uses)</u>				
Bond Anticipation Notes Issued				
Transfers In	6,733	27,306	422,155	
Transfers Out	(844,648)		(163,567)	(75,000)
Total Other Financing Sources (Uses)	<u>(837,915)</u>	<u>27,306</u>	<u>258,588</u>	<u>(75,000)</u>
Changes in Fund Balances	(322,767)	(112,547)	30,720	1,199,864
Fund Balances Beginning of Year	<u>3,410,416</u>	<u>2,429,376</u>	<u>104,726</u>	<u>1,224,527</u>
Fund Balances End of Year	<u>\$3,087,649</u>	<u>\$2,316,829</u>	<u>\$135,446</u>	<u>\$2,424,391</u>

See Accompanying Notes to the Basic Financial Statements

Ottawa County Senior Programs	Special Assessment Bond	Other Governmental	Total
\$10,601		\$229,354	\$7,507,447
		243	4,859,709
			487,678
	\$1,289,933	72,363	1,362,296
		2,197,475	5,767,337
		116,141	318,690
		18,784	511,272
28,667		3,345,569	13,276,130
	907,188		1,329,436
<u>32</u>	<u></u>	<u>980,265</u>	<u>1,442,716</u>
<u>39,300</u>	<u>2,197,121</u>	<u>6,960,194</u>	<u>36,862,711</u>
		945,255	4,870,433
		526,508	2,668,290
			442,440
		62,038	4,077,424
		899,723	1,774,728
		415,891	5,377,568
		107,241	499,142
			3,261,250
			5,422,907
		640,833	640,833
29,786		2,588,053	3,413,842
		84,322	84,322
		2,333	2,333
		4,417	4,417
		166,715	166,715
	1,319,079	622,000	1,950,638
	<u>901,980</u>	<u>297,250</u>	<u>1,199,947</u>
<u>29,786</u>	<u>2,221,059</u>	<u>7,362,579</u>	<u>35,857,229</u>
<u>9,514</u>	<u>(23,938)</u>	<u>(402,385)</u>	<u>1,005,482</u>
		100,000	100,000
	279	1,097,120	1,553,593
		<u>(557,567)</u>	<u>(1,640,782)</u>
	<u>279</u>	<u>639,553</u>	<u>12,811</u>
9,514	(23,659)	237,168	1,018,293
	<u>166,708</u>	<u>4,643,629</u>	<u>11,979,382</u>
<u>\$9,514</u>	<u>\$143,049</u>	<u>\$4,880,797</u>	<u>\$12,997,675</u>

**FINANCIAL CONDITION
OTTAWA COUNTY**

**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to Statement of Activities
For the Year Ended December 31, 2004**

Changes in Fund Balances - Total Governmental Funds \$1,018,293

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 capital outlays exceeded depreciation in the current year:

Capital Outlay	2,336,441	
Depreciation	(1,505,716)	
		830,725

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

Property Taxes	(170,567)	
Permissive Sales Taxes	(70,516)	
Special Assessments	(1,089,365)	
Intergovernmental	(377,797)	
Other	11,282	
		(1,696,963)

Note proceeds are other financing sources in the governmental funds, but the issuance increases long-term liabilities on the statement of net assets. (100,000)

The accounting loss on refunded debt is reported as an expense at the time of refunding, but is amortized over the life of the new debt on the statement of activities. (12,289)

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

Notes Payable	200,000	
General Obligation Bonds Payable	422,000	
OWDA Loans Payable	689,989	
Special Assessment Bonds Payable	629,090	
Capital Leases Payable	9,559	
		1,950,638

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of net assets.

Premiums are reported as revenues when the debt is first issued: however, these amounts are deferred and amortized on the statement of activities.

Accrued Interest Payable	26,415	
Amortization of Premium	10,852	
		37,267

Issuance costs are reported as an expenditure when paid in the governmental funds, but is amortized over the life of the debt on the statement of net activities. (4,590)

Compensated absences reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (29,463)

(continued)

**FINANCIAL CONDITION
OTTAWA COUNTY**

**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to Statement of Activities
For the Year Ended December 31, 2004
(continued)**

The loss on investment in joint venture reported on the statement of activities did not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds.		(\$185,529)
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	579,839	
Transfers In	22,995	602,834
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.		59,695
Change in Net Assets of Governmental Activities		\$2,470,618
See Accompanying Notes to the Basic Financial Statements		

**FINANCIAL CONDITION
OTTAWA COUNTY**

**Statement of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
General Fund
For the Year Ended December 31, 2004**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues</u>				
Property Taxes	\$2,604,500	\$2,604,500	\$2,840,461	\$235,961
Permissive Sales Taxes	4,650,000	4,650,000	4,815,185	165,185
Charges for Services	2,677,190	2,677,190	2,576,210	(100,980)
Licenses and Permits	179,300	179,300	201,352	22,052
Fines and Forfeitures	571,275	571,275	463,593	(107,682)
Intergovernmental	1,425,800	1,425,800	1,442,406	16,606
Interest	370,000	370,000	379,609	9,609
Other	44,000	46,754	66,822	20,068
Total Revenues	12,522,065	12,524,819	12,785,638	260,819
<u>Expenditures</u>				
Current:				
General Government				
Legislative and Executive	3,819,404	4,298,014	4,237,405	60,609
Judicial	2,158,381	2,373,200	2,344,247	28,953
Public Safety				
Building Inspection	457,059	457,054	452,475	4,579
Sheriff	4,106,523	4,175,170	4,172,170	3,000
Other	877,680	896,319	886,192	10,127
Public Works	10,298	10,574	10,171	403
Health	369,965	408,625	401,570	7,055
Human Services				
Other	751,082	811,003	810,209	794
Total Expenditures	12,550,392	13,429,959	13,314,439	115,520
Excess of Expenditures Over Revenues	(28,327)	(905,140)	(528,801)	376,339
<u>Other Financing Sources (Uses)</u>				
Other Financing Sources	286,864	286,864	358,277	71,413
Other Financing Uses		(24,617)	(6,000)	18,617
Advances In			1,609,611	1,609,611
Advances Out			(1,440,089)	(1,440,089)
Transfers In	4,904	2,150	6,733	4,583
Transfers Out	(565,541)	(791,992)	(791,992)	
Total Other Financing Sources (Uses)	(273,773)	(527,595)	(263,460)	264,135
Changes in Fund Balance	(302,100)	(1,432,735)	(792,261)	640,474
Fund Balance Beginning of Year	704,990	704,990	704,990	
Prior Year Encumbrances Appropriated	357,081	357,081	357,081	
Fund Balance (Deficit) End of Year	\$759,971	(\$370,664)	\$269,810	\$640,474

See Accompanying Notes to the Basic Financial Statements

**FINANCIAL CONDITION
OTTAWA COUNTY**

**Statement of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
Road and Bridge Fund
For the Year Ended December 31, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
<u>Revenues</u>				
Other Local Taxes	\$460,000	\$460,000	\$468,560	\$8,560
Charges for Services	750,000	750,000	1,058,584	308,584
Fines and Forfeitures	32,000	32,000	30,254	(1,746)
Intergovernmental	<u>3,190,000</u>	<u>3,190,000</u>	<u>3,403,584</u>	<u>213,584</u>
Total Revenues	4,432,000	4,432,000	4,960,982	528,982
<u>Expenditures</u>				
Current:				
Public Works	<u>6,160,042</u>	<u>6,148,868</u>	<u>4,980,016</u>	<u>1,168,852</u>
Excess of Expenditures Over Revenues	<u>(1,728,042)</u>	<u>(1,716,868)</u>	<u>(19,034)</u>	<u>1,697,834</u>
<u>Other Financing Sources</u>				
Other Financing Sources	1,000	1,000	1,464	464
Transfers In	<u> </u>	<u> </u>	<u>23,854</u>	<u>23,854</u>
Total Other Financing Sources	<u>1,000</u>	<u>1,000</u>	<u>25,318</u>	<u>24,318</u>
Changes in Fund Balance	(1,727,042)	(1,715,868)	6,284	1,722,152
Fund Balance Beginning of Year	1,406,531	1,406,531	1,406,531	
Prior Year Encumbrances Appropriated	<u>483,795</u>	<u>483,795</u>	<u>483,795</u>	
Fund Balance End of Year	<u>\$163,284</u>	<u>\$174,458</u>	<u>\$1,896,610</u>	<u>\$1,722,152</u>

See Accompanying Notes to the Basic Financial Statements

**FINANCIAL CONDITION
OTTAWA COUNTY**

**Statement of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
Job and Family Services Fund
For the Year Ended December 31, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Intergovernmental	\$3,804,765	\$3,804,765	\$2,907,043	(\$897,722)
Other	3,000	3,000	7,824	4,824
Total Revenues	3,807,765	3,807,765	2,914,867	(892,898)
<u>Expenditures</u>				
Current:				
Human Services				
Job and Family Services	4,679,363	4,521,373	3,523,656	997,717
Excess of Expenditures Over Revenues	(871,598)	(713,608)	(608,789)	104,819
<u>Other Financing Sources (Uses)</u>				
Other Financing Sources	180,500	180,500	157,742	(22,758)
Transfers In	586,361	586,361	422,155	(164,206)
Transfers Out		(163,567)	(163,567)	
Total Other Financing Sources (Uses)	766,861	603,294	416,330	(186,964)
Changes in Fund Balance	(104,737)	(110,314)	(192,459)	(82,145)
Fund Balance Beginning of Year	125,399	125,399	125,399	
Prior Year Encumbrances Appropriated	102,831	102,831	102,831	
Fund Balance End of Year	<u>\$123,493</u>	<u>\$117,916</u>	<u>\$35,771</u>	<u>(\$82,145)</u>

See Accompanying Notes to the Basic Financial Statements

**FINANCIAL CONDITION
OTTAWA COUNTY**

**Statement of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
Mental Retardation and Developmental Disabilities Fund
For the Year Ended December 31, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Over (Under)
<u>Revenues</u>				
Property Taxes	\$4,648,500	\$4,648,500	\$4,381,289	(\$267,211)
Charges for Services	42,000	42,000	182,072	140,072
Intergovernmental	2,175,000	2,175,000	2,394,580	219,580
Other	100	100	6,005	5,905
Total Revenues	6,865,600	6,865,600	6,963,946	98,346
<u>Expenditures</u>				
Current:				
Human Services				
Mental Retardation and Developmental Disabilities	6,764,870	6,963,015	5,734,893	1,228,122
Excess of Revenues Over (Under) Expenditures	100,730	(97,415)	1,229,053	1,326,468
<u>Other Financing Sources (Uses)</u>				
Other Financing Sources			13,833	13,833
Advances In		284,500		(284,500)
Transfers Out	(1,142,500)	(1,041,700)	(75,000)	966,700
Total Other Financing Sources (Uses)	(1,142,500)	(757,200)	(61,167)	696,033
Changes in Fund Balance	(1,041,770)	(854,615)	1,167,886	2,022,501
Fund Balance Beginning of Year	851,471	851,471	851,471	
Prior Year Encumbrances Appropriated	145,770	145,770	145,770	
Fund Balance (Deficit) End of Year	(\$44,529)	\$142,626	\$2,165,127	\$2,022,501

See Accompanying Notes to the Basic Financial Statements

**FINANCIAL CONDITION
OTTAWA COUNTY**

**Statement of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
Ottawa County Senior Programs Fund
For the Year Ended December 31, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Intergovernmental			\$26,358	\$26,358
Other	\$31,668	\$36,758	32	(36,726)
Total Revenues	31,668	36,758	26,390	(10,368)
<u>Expenditures</u>				
Current:				
Human Services				
Other	200	36,650	29,870	6,780
Excess of Revenues Over (Under) Expenditures	31,468	108	(3,480)	(3,588)
<u>Other Financing Sources</u>				
Advances In			3,480	3,480
Changes in Fund Balance	31,468	108		(108)
Fund Balance Beginning of Year				
Fund Balance End of Year	<u>\$31,468</u>	<u>\$108</u>		<u>(\$108)</u>

See Accompanying Notes to the Basic Financial Statements

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**FINANCIAL CONDITION
OTTAWA COUNTY**

**Statement of Fund Net Assets
Proprietary Funds
December 31, 2004**

	Business-Type Activities		
	Riverview Nursing Home	Danbury Sewer	Regional Water
<u>Assets</u>			
<u>Current Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$3,113,048	\$2,374,978	\$4,494,297
Accounts Receivable	1,200,664	224,405	355,461
Due from Other Governments	150,989	973,692	290,232
Due from External Parties			240
Interfund Receivable	646	7,477	7,587
Prepaid Items	20,756	5,373	9,170
Materials and Supplies Inventory	13,729	71,803	292,275
Property Taxes Receivable	623,995		
Special Assessments Receivable			68,466
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents		1,339,415	
Cash and Cash Equivalents with Fiscal Agents		604,123	
Cash and Cash Equivalents with Escrow Agents			
Total Current Assets	<u>5,123,827</u>	<u>5,601,266</u>	<u>5,517,728</u>
<u>Non-Current Assets</u>			
Unamortized Bond Issuance Costs	53,380	91,756	
Nondepreciable Capital Assets		6,714,288	4,821,819
Depreciable Capital Assets, Net	<u>5,485,317</u>	<u>20,866,912</u>	<u>65,753,217</u>
Total Non-Current Assets	<u>5,538,697</u>	<u>27,672,956</u>	<u>70,575,036</u>
Total Assets	<u>10,662,524</u>	<u>33,274,222</u>	<u>76,092,764</u>
<u>Liabilities</u>			
<u>Current Liabilities</u>			
Accrued Wages and Benefits Payable	89,109	10,560	16,492
Accounts Payable	168,342	279,121	79,334
Contracts Payable		278,237	135,650
Due to Other Governments	434,642	15,199	15,909
Interfund Payable	1,473	283,679	392,705
Retainage Payable		209,377	189,184
Claims Payable			
Deferred Revenue	609,167		
Notes Payable			
Accrued Interest Payable	15,339	110,772	434,290
General Obligation Revenue Bonds Payable	339,000	30,000	29,400
OWDA Loans Payable		56,918	1,035,397
OPWC Loans Payable		34,671	2,098
OEPA Loan Payable			130,707
Compensated Absences Payable	85,356	11,546	22,865
Liabilities Payable from Restricted Assets			
Accrued Interest Payable		26,122	
General Obligation Revenue Bonds Payable		35,000	
Retainage Payable			
Total Current Liabilities	<u>1,742,428</u>	<u>1,381,202</u>	<u>2,484,031</u>

			Governmental Activity
Catawba Portage Sewer	Other Enterprise	Total Enterprise	Internal Service
\$1,310,057	\$342,942	\$11,635,322	\$2,045,662
153,233		1,933,763	
1,179,659	50,528	2,645,100	
		240	
3,166	601	19,477	3,619
3,408	38	38,745	
93,479		471,286	
		623,995	
	235,480	303,946	
581,930		1,921,345	
283,185		887,308	
55,949		55,949	
<u>3,664,066</u>	<u>629,589</u>	<u>20,536,476</u>	<u>2,049,281</u>
203,525		348,661	
3,705,421	205,219	15,446,747	
<u>26,614,859</u>	<u>2,673,951</u>	<u>121,394,256</u>	
<u>30,523,805</u>	<u>2,879,170</u>	<u>137,189,664</u>	
<u>34,187,871</u>	<u>3,508,759</u>	<u>157,726,140</u>	<u>2,049,281</u>
9,477	48	125,686	
41,215	15,005	583,017	
1,026	4,263	419,176	
11,875	1,188	478,813	
289,881	9,734	977,472	
		398,561	
			576,544
		609,167	
1,885,000		1,885,000	
107,064	3,402	670,867	
10,000	28,000	436,400	
		1,092,315	
8,349	6,711	51,829	
		130,707	
12,202	53	132,022	
41,896		68,018	
150,000		185,000	
55,949		55,949	
<u>2,623,934</u>	<u>68,404</u>	<u>8,299,999</u>	<u>576,544</u>

(continued)

**FINANCIAL CONDITION
OTTAWA COUNTY**

**Statement of Fund Net Assets
Proprietary Funds
December 31, 2004
(continued)**

	Business-Type Activities		
	Riverview Nursing Home	Danbury Sewer	Regional Water
<u>Non-Current Liabilities</u>			
General Obligation Revenue Bonds Payable	\$3,011,627	\$5,017,515	\$1,842,400
Ohio Water and Sewer Loans Payable		93,122	1,172,112
OWDA Loans Payable		5,468,257	27,233,315
OPWC Loans Payable		330,001	251,639
OEPA Loan Payable			2,615,840
Compensated Absences Payable	97,353	32,746	65,492
Total Non-Current Liabilities	<u>3,108,980</u>	<u>10,941,641</u>	<u>33,180,798</u>
Total Liabilities	<u>4,851,408</u>	<u>12,322,843</u>	<u>35,664,829</u>
<u>Net Assets</u>			
Invested in Capital Assets, Net of Related Debt	2,188,070	17,471,811	37,434,240
Restricted for:			
Revenue Bond Current Debt Service		692,290	
Revenue Bond Renewal and Replacement		53,575	
Revenue Bond Construction		593,550	
Revenue Bond Future Debt Service		578,001	
Unrestricted	3,623,046	1,562,152	2,993,695
Total Net Assets	<u>\$5,811,116</u>	<u>\$20,951,379</u>	<u>\$40,427,935</u>

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

			Governmental Activity
Catawba Portage Sewer	Other Enterprise	Total Enterprise	Internal Service
\$7,283,604	\$187,000	\$17,342,146	
12,676	13,128	1,291,038	
		32,701,572	
162,127	232,340	976,107	
		2,615,840	
34,931	53	230,575	
<u>7,493,338</u>	<u>432,521</u>	<u>55,157,278</u>	
<u>10,117,272</u>	<u>500,925</u>	<u>63,457,277</u>	<u>576,544</u>
21,024,725	2,425,119	80,543,965	
210,875		903,165	
66,283		119,858	
304,772		898,322	
241,289		819,290	
2,222,655	582,715	10,984,263	1,472,737
<u>\$24,070,599</u>	<u>\$3,007,834</u>	94,268,863	<u>\$1,472,737</u>
		<u>517,848</u>	
		<u>\$94,786,711</u>	

**FINANCIAL CONDITION
OTTAWA COUNTY**

**Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2004**

	Business-Type Activities		
	Riverview Nursing Home	Danbury Sewer	Regional Water
<u>Operating Revenues</u>			
Charges for Services	\$9,641,370	\$2,347,220	\$4,246,509
Other	58,306	69,799	156,906
Total Operating Revenues	<u>9,699,676</u>	<u>2,417,019</u>	<u>4,403,415</u>
<u>Operating Expenses</u>			
Personal Services	6,694,914	442,527	945,042
Contractual Services	1,904,751	532,685	340,473
Materials and Supplies	905,441	96,861	319,486
Claims			
Depreciation	114,580	620,457	1,589,052
Other	25,338		
Total Operating Expenses	<u>9,645,024</u>	<u>1,692,530</u>	<u>3,194,053</u>
Operating Income (Loss)	<u>54,652</u>	<u>724,489</u>	<u>1,209,362</u>
<u>Non-Operating Revenues (Expenses)</u>			
Property Taxes	616,278		
Special Assessments			79,536
Grants	56,109	228,179	44,307
Interest Revenue		5,095	
Interest Expense	(160,348)	(362,460)	(802,952)
Loss on Disposal of Capital Assets			
Total Non-Operating Revenues (Expenses)	<u>512,039</u>	<u>(129,186)</u>	<u>(679,109)</u>
Income Before Contributions and Transfers	566,691	595,303	530,253
Capital Contributions		1,208,216	449,222
Transfers In	6,838	54,138	257,027
Transfers Out			(141,231)
Changes in Net Assets	<u>573,529</u>	<u>1,857,657</u>	<u>1,095,271</u>
Net Assets Beginning of Year - Restated (See Note 3)	<u>5,237,587</u>	<u>19,093,722</u>	<u>39,332,664</u>
Net Assets End of Year	<u><u>\$5,811,116</u></u>	<u><u>\$20,951,379</u></u>	<u><u>\$40,427,935</u></u>

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

Change in Net Assets of Business-Type Activities

See Accompanying Notes to the Basic Financial Statements

			Governmental Activity
Catawba Portage Sewer	Other Enterprise	Total Enterprise	Internal Service
\$1,899,910	\$17,285	\$18,152,294	\$3,907,023
36,425	31	321,467	39,528
1,936,335	17,316	18,473,761	3,946,551
586,376	18,789	8,687,648	
446,424	75,024	3,299,357	518,167
174,896	167,173	1,663,857	
			2,433,464
1,325,492	93,042	3,742,623	
		25,338	
2,533,188	354,028	17,418,823	2,951,631
(596,853)	(336,712)	1,054,938	994,920
		616,278	
	266,426	345,962	
1,273,854	783,583	2,386,032	
1,327		6,422	
(432,192)	(18,517)	(1,776,469)	
(85,928)		(85,928)	
757,061	1,031,492	1,492,297	
160,208	694,780	2,547,235	994,920
163,395		1,820,833	
159,886	46,022	523,911	22,995
	(318,486)	(459,717)	
483,489	422,316	4,432,262	1,017,915
23,587,110	2,585,518		454,822
<u>\$24,070,599</u>	<u>\$3,007,834</u>		<u>\$1,472,737</u>
		355,386	
		<u>\$4,787,648</u>	

**FINANCIAL CONDITION
OTTAWA COUNTY**

**Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2004**

	Business-Type Activities		
	Riverview Nursing Home	Danbury Sewer	Regional Water
Increase (Decrease) in Cash and Cash Equivalents			
<u>Cash Flows from Operating Activities</u>			
Cash Received from Customers	\$9,676,003	\$2,333,281	\$4,230,482
Cash Received from Transactions with Other Funds			
Cash Payments for Personal Services	(6,857,384)	(452,018)	(969,421)
Cash Payments for Contractual Services	(1,888,503)	(298,657)	(417,415)
Cash Payments to Suppliers	(928,666)	(104,534)	(403,309)
Cash Payments for Claims			
Cash Received from Other Revenues	55,632	69,569	156,465
Cash Payments for Other Expenses	(25,089)		
Net Cash Provided by (Used for) Operating Activities	<u>31,993</u>	<u>1,547,641</u>	<u>2,596,802</u>
<u>Cash Flows from Noncapital Financing Activities</u>			
Property Taxes	631,007		
Grants	53,318		
Advances In		283,679	392,705
Advances Out			(427,685)
Transfers In	6,527	49,924	63,552
Transfers Out			(141,231)
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>690,852</u>	<u>333,603</u>	<u>(112,659)</u>
<u>Cash Flows from Capital and Related Financing Activities</u>			
Acquisition of Capital Assets	(37,833)	(5,193,015)	(4,122,795)
Grants		44,492	553,618
Special Assessments			1,320,857
Proceeds from Notes			335,000
Proceeds from Ohio Water and Sewer Loans			
Proceeds from OWDA Loans		3,883,229	2,864,134
Proceeds from OPWC Loans			189,604
Principal Paid on Notes			(670,000)
Interest Paid on Notes			(8,343)
Principal Paid on General Obligation Revenue Bonds	(438,000)	(364,870)	(28,100)
Interest Paid on General Obligation Revenue Bonds	(133,318)	(131,280)	(90,245)
Principal Paid on Ohio Water and Sewer Loans		(14,162)	(28,056)
Principal Paid on OWDA Loans		(55,226)	(1,014,022)
Interest Paid on OWDA Loans		(28,393)	(520,808)
Principal Paid on OPWC Loans		(33,654)	(4,196)
Interest Paid on OPWC Loans		(10,422)	
Principal Paid on OEPA Loans			(813,859)
Interest Paid on OEPA Loans			(740,019)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(609,151)</u>	<u>(1,903,301)</u>	<u>(2,777,230)</u>
<u>Cash Flows from Investing Activities</u>			
Cash Received from Interest		5,095	
Cash Received from Sale of Investments		(600,715)	
Cash Payments for Purchase of Investments		456,848	
Net Cash Provided by (Used for) Investing Activities		<u>(138,772)</u>	
Net Increase (Decrease) in Cash and Cash Equivalents	113,694	(160,829)	(293,087)
Cash and Cash Equivalents Beginning of Year	2,999,354	4,479,345	4,787,384
Cash and Cash Equivalents End of Year	<u>\$3,113,048</u>	<u>\$4,318,516</u>	<u>\$4,494,297</u>

Catawba Portage Sewer	Other Enterprise	Total Enterprise	Governmental Activity
			Internal Service
\$1,898,784	\$17,285	\$18,155,835	
			\$3,907,023
(602,699)	(18,053)	(8,899,575)	
(389,633)	(69,272)	(3,063,480)	(518,167)
(188,247)	(349,136)	(1,973,892)	
			(2,564,436)
36,141	31	317,838	40,363
		(25,089)	
<u>754,346</u>	<u>(419,145)</u>	<u>4,511,637</u>	<u>864,783</u>
		631,007	
		53,318	
289,881	9,734	975,999	
(131,234)	(288,798)	(847,717)	
29,557	45,876	195,436	20,484
	(318,486)	(459,717)	
<u>188,204</u>	<u>(551,674)</u>	<u>548,326</u>	<u>20,484</u>
(1,967,050)	(32,351)	(11,353,044)	
164,534	1,123,012	1,885,656	
	30,946	1,351,803	
1,885,000	565,000	2,785,000	
	13,128	13,128	
		6,747,363	
	222,352	411,956	
	(1,130,000)	(1,800,000)	
	(13,343)	(21,686)	
(155,000)	(28,000)	(1,013,970)	
(383,079)	(11,406)	(749,328)	
		(42,218)	
		(1,069,248)	
		(549,201)	
(8,024)	(1,152)	(47,026)	
(4,259)		(14,681)	
		(813,859)	
		(740,019)	
<u>(467,878)</u>	<u>738,186</u>	<u>(5,019,374)</u>	
		6,422	
1,327		(600,715)	
		456,848	
<u>1,327</u>		<u>(137,445)</u>	
475,999	(232,633)	(96,856)	885,267
1,755,122	575,575	14,596,780	1,160,395
<u>\$2,231,121</u>	<u>\$342,942</u>	<u>\$14,499,924</u>	<u>\$2,045,662</u>

**FINANCIAL CONDITION
OTTAWA COUNTY**

**Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2004
(continued)**

	Business-Type Activities		
	Riverview Nursing Home	Danbury Sewer	Regional Water
Reconciliation of Operating Income (Loss) to <u>Net Cash Provided by (Used for) Operating Activities</u>			
Operating Income (Loss)	\$54,652	\$724,489	\$1,209,362
Adjustments to Reconcile Operating Income (Loss) to <u>Net Cash Provided by (Used for) Operating Activities</u>			
Depreciation	114,580	620,457	1,589,052
Changes in Assets and Liabilities			
(Increase) Decrease in Accounts Receivable	(820,644)	(13,939)	(17,036)
(Increase) Decrease in Due from Other Governments	852,603	(230)	(481)
Decrease in Interfund Receivable			1,009
Decrease in Due from External Party			40
Increase in Prepaid Items	(5,828)	(3,197)	(704)
(Increase) Decrease in Materials and Supplies Inventory	(1,675)	1,958	(23,470)
Decrease in Accrued Wages and Benefits Payable	(138,320)	(6,824)	(21,741)
Increase in Accounts Payable	6,877	250,695	32,692
Increase (Decrease) in Contracts Payable	(10,685)	(18,064)	(108,922)
Increase (Decrease) in Due to Other Governments	11,856	355	(4,113)
Increase (Decrease) in Interfund Payable	1,261	(196)	(350)
Increase (Decrease) in Retainage Payable		(7,441)	(57,465)
Decrease in Claims Payable			
Increase (Decrease) in Compensated Absences Payable	(32,684)	(422)	(1,071)
Total Adjustments	(22,659)	823,152	1,387,440
Net Cash Provided by (Used for) Operating Activities	<u>\$31,993</u>	<u>\$1,547,641</u>	<u>\$2,596,802</u>

During 2004, the Danbury Sewer, Regional Water, and Catawba Portage Sewer enterprise funds received capital assets donated by developers, in the amount of \$1,208,216, \$449,222, and \$163,395, respectively.

See Accompanying to the Basic Financial Statements

Catawba Portage Sewer	Other Enterprise	Total Enterprise	Governmental Activity Internal Service
(\$596,853)	(\$336,712)	\$1,054,938	\$994,920
1,325,492	93,042	3,742,623	
(1,190)		(852,809)	835
(284)		851,608	
64		1,073	
		40	
(351)	(17)	(10,097)	
(13,593)		(36,780)	
(13,179)	(321)	(180,385)	
1,444	14,412	306,120	
1,026	(157,326)	(293,971)	
(2,730)	1,024	6,392	
(885)		(170)	
55,949	(33,280)	(42,237)	
			(130,972)
(564)	33	(34,708)	
1,351,199	(82,433)	3,456,699	(130,137)
\$754,346	(\$419,145)	\$4,511,637	\$864,783

**FINANCIAL CONDITION
OTTAWA COUNTY**

**Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2004**

Assets

Equity in Pooled Cash and Cash Equivalents	\$4,904,464
Cash and Cash Equivalents in Segregated Accounts	991,784
Accrued Interest Receivable	30
Due from Other Governments	2,176,867
Due from External Parties	48,084
Property Taxes Receivable	51,294,374
Other Local Taxes Receivable	43,466
Special Assessments Receivable	<u>323,603</u>
 Total Assets	 <u><u>\$59,782,672</u></u>

Liabilities

Accounts Payable	\$42,953
Due to Other Governments	53,585,556
Due to External Parties	1,709
Undistributed Assets	<u>6,152,454</u>
 Total Liabilities	 <u><u>\$59,782,672</u></u>

See Accompanying Notes to the Basic Financial Statements

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

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, Inc. It is reported separately to emphasize that it is legally separate from the County. Information about this component unit is presented in Note 25 to the basic financial statements.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 1 - REPORTING ENTITY – (Continued)

Riverview Industries, Inc. - Riverview Industries is a legally separate, not-for-profit corporation, served by a self-appointing board of trustees. Riverview Industries, under a contractual agreement with the Ottawa County Board of Mental Retardation and 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 County. Riverview Industries operates on a fiscal year ending December 31. Financial information for Riverview Industries can be obtained from James Frederick, 8200 West State Route 163, Oak Harbor, Ohio 43449.

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 organization, and an insurance pool. These organizations are presented in Notes 22, 23, and 24 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 or to its enterprise funds. Following are the more significant of the County's accounting policies.

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.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

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

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The 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.

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 of 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 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.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

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

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

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

Mental Retardation and Developmental Disabilities Fund - 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.

Ottawa County Senior Programs Fund - This fund accounts for a tax levy used to help support senior centers throughout the County and the services they offer to shut-ins and elderly within the County.

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

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

Regional Water - This fund accounts for water services provided to individuals and commercial users in Bay, Catawba, Danbury, Erie, Harris, Portage, and Salem Townships, the City of Port Clinton, and the Village of Oak Harbor.

Catawba Portage Sewer - This fund accounts for sanitary sewer services provided to individuals and commercial users in portions of Catawba and Portage Townships.

Internal Service Fund - 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.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

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

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 programs. 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 balances 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 a reconciliation 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 (e.g., revenues) and decreases (e.g., 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.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

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

Revenues - Exchange and Nonexchange Transactions

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

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 taxes and motor vehicle licenses), grants, and interest.

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, 2004, but were levied to finance 2005 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.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

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

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the alternate tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The alternate tax budget indicates the projected revenues and expenditures for those funds receiving tax monies. The certificate of estimated resources establishes a limit on the amount the County Commissioners may appropriate. The appropriations resolution is the County Commissioners' authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the County Commissioners. The legal level of control has been established by the County Commissioners at the fund, department, and object 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 budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the County Commissioners.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first 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 or by fiscal agents are recorded as "Cash and Cash Equivalents in Segregated Accounts" and "Cash and Cash Equivalents with Fiscal Agents", respectively.

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

During 2004, the County invested in nonnegotiable certificates of deposit, mutual funds, and STAR Ohio. 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, 2004.

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 2004 was \$422,248, which includes \$394,085 assigned from other County funds.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

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

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, 2004, 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.

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 on their use are reported as restricted.

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

J. Unamortized Bond Issuance Costs/Bond Discounts and Premiums

For governmental funds, issuance costs, bond discounts, and premiums are recognized in the current period on the fund financial statements. For the entity-wide and proprietary fund financial statements, issuance costs, bond discounts and premiums are deferred and amortized over the term of the bonds using the bonds-outstanding 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, 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 enterprise funds are reported in both the business-type activities column on the government-wide statement of net assets and in the respective funds.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

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

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. The County reports all infrastructures, including that acquired prior to the implementation of GASB Statement No. 34. Depreciation is computed using the straight-line method over the following useful lives:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Buildings	10-75 years	75 years
Building Improvements	10-75 years	n/a
Improvements other than Buildings	n/a	20 years
Roads	15-50 years	n/a
Bridges	35-55 years	n/a
Water and Sewer Lines	n/a	50 years
Equipment	5-10 years	5-20 years
Vehicles	5-15 years	5-10 years

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 employee 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.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

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

The entire compensated absences liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. For proprietary funds, the entire amount of compensated absences is reported as a fund liability.

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 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, long-term loans, special assessment bonds, and capital leases are recognized as liabilities on the fund financial statements when due.

O. Unamortized Loss on Advance Refunding

For advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a reduction of the face amount of the new debt.

P. 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 resources restricted for the upkeep of the County's roads and bridges, child support and welfare services, services for the handicapped and mentally disabled, and activities of the County's 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. As of December 31, 2004, net assets restricted by enabling legislation were \$2,106,181 in the statement of net assets.

Q. 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.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

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

R. 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, for water and sewer services, and charges for health care premiums in the internal service fund. 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.

S. Capital Contributions

Capital contributions on the enterprise fund financial statements arise from developer donations.

T. 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.

U. Extraordinary and Special Items

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

V. 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 NET ASSETS**

A. Changes in Accounting Principles

For 2004, the County has implemented Governmental Accounting Standards Board (GASB) Statement No. 39, "Determining Whether Certain Organizations are Component Units", GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation", and GASB Technical Bulletin 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers".

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

**NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES, CORRECTION OF AN ERROR, AND
RESTATEMENT OF NET ASSETS – (Continued)**

GASB Statement No. 39 establishes additional guidance on the application of existing standards for determining whether certain organizations should be reported as component units based on the nature and significance of their relationship to the primary government. The implementation of this statement did not result in any change to the County's financial statements.

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

GASB Technical Bulletin 2004-2 clarifies the application of accounting for employers' contractually required contributions to cost-sharing multiple employer pension and other postemployment benefit (OPEB) plans.

B. Restatement of Net Assets

For 2004, the County is recording infrastructure assets (bridges) for years prior to 2003. In 2003, the County recorded current year additions only. As a result, net capital assets increased by \$3,125,339; capital assets increased by \$5,144,879 and accumulated depreciation increased by \$2,019,540.

In 2003, the County recorded construction in progress for a sewer project that is to be owned by the Village it is located within; therefore, this construction has been removed from the County's capital assets. As a result, capital assets decreased by \$723,389 for business-type activities.

In addition, in the prior year, the County restated the internal balance for the internal service fund for governmental and business-type activities.

As a result of these corrections, net assets as previously reported as of December 31, 2003, increased from \$37,202,557 to \$40,325,761 for governmental activities and decreased from \$90,720,317 to \$89,999,063 for business-type activities. In addition, net assets decreased by \$64,810 in the Regional Water enterprise fund, from \$39,397,474 to \$39,332,664, and by \$658,579 in other enterprise funds (Portage Catawba Water and Plasterbed Road Water and Sewer), from \$3,244,097 to \$2,585,518.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At December 31, 2004, the following funds had deficit fund balances/net assets:

Fund	Deficit
Special Revenue Funds	
Ditch Maintenance	\$6,707
Department of Justice Grant	30,446
JAIBG	885
Marine Patrol Grant	40
Ditch Cleaning	3,340
Court Special Project	2,357
Community Development Block Grant	36,494
Capital Projects Funds	
Roose Ditch	\$10,203
Lohrbach Ditch	13,938
August Kutzner Ditch	25,882
Millinger Ditch	8,761
Winters Ditch	88,075
Locust Point Pump Drainage	71,139
Enterprise Funds	
Portage Catawba Water	133,901
PIB Water/Wastewater Plan	7,942

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

The deficit net assets in the Portage Catawba Water enterprise fund are a result of operating losses in prior years. The deficit net assets in the PIB Water/Wastewater Plan are a result of the project being in the early planning stages and project financing has not been established.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE – (Continued)

B. Compliance

The following accounts had expenditures (including encumbrances) in excess of appropriations for the year ended December 31, 2004:

	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Excess</u>
General Fund			
Current:			
General Government – Legislative and Executive			
Insurance, Pension, and Taxes	\$102,623	\$147,653	\$45,030
Debt Service Fund			
G.O. Bond Retirement			
Current:			
Other		4,165	4,165
Enterprise Funds			
Riverview Nursing Home			
Other Operating Expenses	2,808	25,823	23,015
Regional Water			
Capital Outlay	3,829,695	3,833,724	4,029

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balances 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 and the Road and Bridge, Job and Family Services, Mental Retardation and Developmental Disabilities, and Ottawa County Senior Programs 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. Outstanding year end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING – (Continued)

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

	General	Road and Bridge	Job and Family Services	Mental Retardation and Developmental Disabilities	Ottawa County Senior Programs
Budget Basis	(\$792,261)	\$6,284	(\$192,459)	\$1,167,886	
Net adjustments for Revenue accruals	327,306	(149,259)	118,515	(255,899)	\$12,910
Net adjustments for expenditure accruals	343,476	(140,516)	49,839	39,845	(1,763)
Net adjustments for other Financing sources/(uses)	(574,455)	1,988	(157,742)	(13,833)	(3,480)
Encumbrances (budget basis)	373,167	168,956	212,567	261,865	1,847
GAAP Basis	<u>(\$322,767)</u>	<u>(\$112,547)</u>	<u>\$30,720</u>	<u>\$1,199,864</u>	<u>\$9,514</u>

NOTE 6 - DEPOSITS AND INVESTMENTS

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

Monies held by the County which are not considered active are classified as inactive. Beginning June 15, 2004, inactive monies may be deposited or invested in the following securities provided a written investment policy has been filed with the Ohio Auditor of State:

1. United States Treasury 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, or any book entry zero-coupon United States treasury security that is a direct obligation of the United States;
2. Bonds, notes, debentures, or any other 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;

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 6 - DEPOSITS AND INVESTMENTS – (Continued)

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, or cash, equal value for equal value;
9. Up to twenty-five percent of the County's average portfolio in either of the following:
 - a. commercial paper notes in entities incorporated under the laws of Ohio or any other State that have assets exceeding five hundred million dollars rated at the time of purchase, which are rated in the highest qualification established by two nationally recognized standard rating services, which do not exceed 10 percent of the value of the outstanding commercial paper of the issuing corporation and which mature within two hundred seventy days after purchase;
 - b. bankers acceptances eligible for purchase by the federal reserve system and which mature within one hundred eighty days after purchase;
10. Up to 15 percent of the County's average portfolio in notes issued by United States corporations or by depository institutions that are doing business under authority granted by the United States provided that the notes are rated in the second highest or higher category by at least two nationally recognized standard rating services at the time of purchase and the notes mature within two years from the date of purchase;
11. No-load money market mutual funds rated in the highest category at the time of purchase by at least one nationally recognized standard rating service consisting exclusively of obligations guaranteed by the United States, securities issued by a federal government agency or instrumentality, and/or highly rated commercial paper; and
12. Up to 1 percent of the County's average portfolio in debt interests rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government.

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

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 6 - DEPOSITS AND INVESTMENTS – (Continued)

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 \$195,185 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

At year end, the County had \$56,389 in cash and cash equivalents held by Hartung Title Agency, which is presented as "Cash and Cash Equivalents with Fiscal Agent". Hartung Title Agency holds this money for the County, and therefore, the County cannot classify this money by risk under GASB Statement No. 3.

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 \$29,481,351 and the bank balance was \$31,627,001. Of the bank balance \$1,119,341 was covered by federal depository insurance and \$30,507,660 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. At December 31, 2004, the fair value of funds on deposit with STAR Ohio was \$2,602,356, and the fair value of the mutual funds was \$887,308.

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". A 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:

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 6 - DEPOSITS AND INVESTMENTS – (Continued)

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$33,222,589	
Cash on Hand	(195,185)	
Cash held by Hartung Title Agency	(56,389)	
Investments		
Mutual Funds	(887,308)	\$887,308
STAR Ohio	(2,602,356)	2,602,356
GASB Statement No. 3	\$29,481,351	\$3,489,664

NOTE 7 - RECEIVABLES

Receivables at December 31, 2004, consisted of accounts (e.g., billings for user charged services, including unbilled charges); permissive sales taxes; intergovernmental receivables arising from grants, entitlements, and shared revenues; amounts due from external parties; interfund; property taxes; special assessments; and loans. Loans receivable amounted to \$1,080,664, \$75,061 will be received within one year. Governmental special assessments receivable, in the amount of \$19,423,696, will not be received within one year. Business-type special assessments receivable, in the amount of \$297,312, will not be received within one year. At December 31, 2004, the amount of delinquent special assessments was \$239,756. All receivables are considered fully collectible.

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 collectibility. Using this criteria the County has elected to not record child support arrearages in the agency funds. These amounts, while potentially significant, are not considered measurable and, because collections are often significantly in arrears, the County is unable to determine a reasonable value.

Loans receivable represent loans to the Airport, the Fair Board, the Visitors' Bureau, and to eligible individuals for residential rehabilitation under the Federal Community Development Block Grant program. A summary of the changes in notes receivable during 2004 follows:

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 7 – RECEIVABLES – (Continued)

	Balance December 31, 2003	New Loans	Repayments	Balance December 31, 2004
General Fund				
Airport	\$418,168	\$21,832	\$15,000	\$425,000
Airport	68,824		68,824	
Airport		49,150	49,150	
Fair Board	55,000		3,400	51,600
Visitors' Bureau		100,000	25,000	75,000
Total General Fund	<u>541,992</u>	<u>170,982</u>	<u>161,374</u>	<u>551,600</u>
Special Revenue Funds				
CHIP/HOME	414,895	33,638	16,954	431,579
CDBG Revolving Loan	90,895	6,590		97,485
Total Special Revenue Funds	<u>505,790</u>	<u>40,228</u>	<u>16,954</u>	<u>529,064</u>
Total Loans Receivable	<u>\$1,047,782</u>	<u>\$211,210</u>	<u>\$178,328</u>	<u>\$1,080,664</u>

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Governmental Activities	
Major Funds	
General Fund	
Local Government	\$380,682
Local Government Revenue Assistance	82,290
Estate Tax	227
Erie County	11,282
Homestead and Rollback	141,716
State of Ohio	11,915
Total General Fund	<u>628,112</u>
	(continued)

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 7 – RECEIVABLES – (Continued)

	Amount
Governmental Activities (continued)	
Major Funds (continued)	
Road and Bridge	
Gasoline Tax	\$933,859
Motor Vehicle License Tax	658,671
State of Ohio	698
Total Road and Bridge	1,593,228
Job and Family Services	
ODHS Public Assistance	356,051
State of Ohio	729
Total Job and Family Services	356,780
Mental Retardation and Developmental Disabilities	
Homestead and Rollback	215,725
State of Ohio	4,066
Total Mental Retardation and Developmental Disabilities	219,791
Ottawa County Senior Programs	
Homestead and Rollback	21,113
Total Major Funds	2,819,024
Nonmajor Funds	
Dog Fund	
State of Ohio	34
Real Estate Assessment	
State of Ohio	77,322
Emergency Management	
State of Ohio	91
Department of Justice Grant	
State Homeland Security Grants	162,242
JAIBG	
JAIBG Grant	1,708
DARE	
State of Ohio	13
	(continued)

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 7 – RECEIVABLES – (Continued)

	Amount
Governmental Activities (continued)	
Nonmajor Funds (continued)	
Children's Services	
State Child Protection	\$118,795
Title VI-B	37,009
Family Preservation	4,598
Family Reunification	2,230
Adoption Incentive	6,976
Medicaid Child Welfare Related Admin	823
State of Ohio	2,903
Total Children's Services	173,334
Child Support Enforcement Agency	
Administration Fees	12,155
ODHS Child Support	30,035
State of Ohio	252
Total Child Support Enforcement Agency	42,442
OCTA	
Danbury LSD	180
State of Ohio	511
Total OCTA	691
CHIP/HOME	
CHIP Grant	25,000
Reclaim Ohio	
Reclaim Ohio	32,211
Community Development Block Grant	
Community Development Block Grant	28,014
Litter Prevention	
Recycle Grant	5,283
Municipal Court Corrections	
Municipal Court Corrections Grant	23,724
Victims of Crimes	
Victims of Crimes Grant	25,677
State Victims Assistance	8,500
Total Victims of Crimes	34,177
	(continued)

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 7 – RECEIVABLES – (Continued)

	Amount
Governmental Activities (continued)	
Nonmajor Funds (continued)	
DRETAC	
State of Ohio	\$42
General Obligation Bond Retirement	
Homestead and Rollback	11,490
Total Nonmajor Funds	617,818
Total Governmental Activities	\$3,436,842
 Business-Type Activities	
Major Funds	
Riverview Nursing Home	
Homestead and Rollback	\$29,471
Medicare	94,934
Medicaid	23,910
State of Ohio	2,674
Total Riverview Nursing Home	150,989
Danbury Sewer	
Ohio Public Works Commission	223,948
Ohio Water Development Authority	749,514
State of Ohio	230
Total Danbury Sewer	973,692
Regional Water	
Ohio Public Works Commission	19,507
Ohio Water Development Authority	270,244
State of Ohio	481
Total Regional Water	290,232
Catawba Portage Sewer	
Economic Development Administration	509,320
Department of Development	600,000
Ohio Public Works Commission	70,055
State of Ohio	284
Total Catawba Portage Sewer	1,179,659
Total Major Funds	2,594,572
	(continued)

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 7 – RECEIVABLES – (Continued)

	Amount
Business-Type Activities (continued)	
Nonmajor Funds	
Sewer District #13	
Ohio Public Works Commission	\$6,358
Environmental Protection Agency	10,562
Total Sewer District #13	16,920
Plasterbed Road Water and Sewer	
Community Development Block Grant	23,214
Economic Development Administration	10,394
Total Plasterbed Road Water and Sewer	33,608
Total Nonmajor Funds	50,528
Total Business-Type Activities	\$2,645,100
Agency Funds	
Local Government	\$90,952
Local Government Revenue Assistance	420,761
Library Local Government	778,954
Gasoline Tax	408,553
Motor Vehicle License Tax	156,171
Permissive Motor Vehicle License Tax	5,270
Homestead and Rollback	315,364
State of Ohio	842
Total Agency Funds	\$2,176,867

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 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.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

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 2004 represent the collection of 2003 taxes. Real property taxes received in 2004 were levied after October 1, 2003, on the assessed values as of January 1, 2003, 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 2004 represent the collection of 2003 taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2002, were levied after October 1, 2003, 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 2004 (other than public utility property) represent the collection of 2004 taxes. Tangible personal property taxes received in 2004 were levied after October 1, 2003, on the true value as of December 31, 2003. 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, tangible personal property, and outstanding delinquent taxes which were measurable as of December 31, 2004, and for which there was an enforceable legal claim. In the governmental funds, the entire receivable for property taxes has been deferred since the current taxes were not levied to finance 2004 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On the full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable was deferred.

The full tax rate for all County operations for the year ended December 31, 2004, was \$7.10 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2004 property tax receipts were based are as follows:

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 9 - PROPERTY TAXES – (Continued)

Real Property	
Residential/Agriculture	\$1,059,207,720
Commercial/Industrial/Mineral	231,116,950
Public Utility Property	
Real	374,860
Personal	120,915,300
Tangible Personal Property	78,807,164
Total Assessed Value	<u>\$1,490,421,994</u>

During 2004, voters approved a .3 mill tax levy for Ottawa County Senior Programs with collections to begin in 2005.

NOTE 10 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2004, was as follows:

	Restated Balance December 31, 2003	Additions	Reductions	Balance December 31, 2004
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$1,176,777			\$1,176,777
Construction in Process	251,597		(\$251,597)	
Total Nondepreciable Capital Assets	<u>1,428,374</u>		<u>(251,597)</u>	<u>1,176,777</u>
Depreciable Capital Assets				
Buildings	16,596,485			16,596,485
Building Improvements	2,167,187	\$44,283		2,211,470
Roads	17,523,114	1,312,347		18,835,461
Bridges	5,524,796	592,602	(120,407)	5,996,991
Equipment	3,320,567	71,609		3,392,176
Vehicles	2,918,123	567,197		3,485,320
Total Depreciable Capital Assets	<u>48,050,272</u>	<u>2,588,038</u>	<u>(120,407)</u>	<u>50,517,903</u>

(continued)

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 10 - CAPITAL ASSETS – (Continued)

	Restated Balance December 31, 2003	Additions	Reductions	Balance December 31, 2004
Governmental Activities (continued)				
Less Accumulated Depreciation for				
Buildings	(\$3,222,771)	(\$252,821)		(\$3,475,592)
Building Improvements	(37,047)	(109,410)		(146,457)
Roads	(7,818,707)	(375,006)		(8,193,713)
Bridges	(2,019,540)	(116,858)	120,407	(2,015,991)
Equipment	(1,678,220)	(337,269)		(2,015,489)
Vehicles	(1,702,740)	(314,352)		(2,017,092)
Total Accumulated Depreciation	<u>(16,479,025)</u>	<u>(1,505,716)</u>	<u>120,407</u>	<u>(17,864,334)</u>
Total Depreciable Capital Assets, Net	<u>31,571,247</u>	<u>1,082,322</u>		<u>32,653,569</u>
Governmental Activities Capital Assets, Net	<u>\$32,999,621</u>	<u>\$1,082,322</u>	<u>(\$251,597)</u>	<u>\$33,830,346</u>
	Restated Balance December 31, 2003	Additions	Reductions	Balance December 31, 2004
Business-Type Activities				
Nondepreciable Capital Assets				
Land	\$4,463,669			\$4,463,669
Construction in Progress	2,360,880	\$10,021,044	(1,398,846)	10,983,078
Total Nondepreciable Capital Assets	<u>6,824,549</u>	<u>10,021,044</u>	<u>(1,398,846)</u>	<u>15,446,747</u>
Depreciable Capital Assets				
Buildings	14,491,882			14,491,882
Improvements other than Buildings	18,471,183	774,234	(26,442)	19,218,975
Water and Sewer Lines	95,150,903	4,547,979		99,698,882
Equipment	22,697,854	129,001	(169,311)	22,657,544
Vehicles	763,379	50,673		814,052
Total Depreciable Capital Assets	<u>151,575,201</u>	<u>5,501,887</u>	<u>(195,753)</u>	<u>156,881,335</u>

(continued)

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 10 - CAPITAL ASSETS - (Continued)

	Restated Balance December 31, 2003	Additions	Reductions	Balance December 31, 2004
Business-Type Activities (continued)				
Less Accumulated Depreciation for				
Buildings	(\$2,563,575)	(\$240,324)		(\$2,803,899)
Improvements other than Buildings	(3,435,401)	(571,939)	\$6,346	(4,000,994)
Water and Sewer Lines	(16,976,725)	(2,016,833)		(18,993,558)
Equipment	(8,330,836)	(845,361)	103,479	(9,072,718)
Vehicles	(547,744)	(68,166)		(615,910)
Total Accumulated Depreciation	<u>(31,854,281)</u>	<u>(3,742,623)</u>	<u>109,825</u>	<u>(35,487,079)</u>
Total Depreciable Capital Assets, Net	<u>119,720,920</u>	<u>1,759,264</u>	<u>(85,928)</u>	<u>121,394,256</u>
Business-Type Activities Capital Assets, Net	<u>\$126,545,469</u>	<u>\$11,780,308</u>	<u>(\$1,484,774)</u>	<u>\$136,841,003</u>

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
General Government	
Legislative and Executive	\$80,030
Judicial	71,883
Public Safety	
Building Inspection	5,082
Sheriff	194,364
Other	47,613
Public Works	783,783
Health	9,765
Human Services	
Job and Family Services	98,493
Mental Retardation and Developmental Disabilities	13,131
Other	162,727
Conservation and Recreation	36,679
Economic Development and Assistance	2,166
Total Depreciation Expense - Governmental Activities	<u>\$1,505,716</u>

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 11 - INTERFUND BALANCES

Interfund balances at December 31, 2004, consisted of the following:

Due to General Fund from:	
Ottawa County Senior Programs	\$3,480
Special Assessment Bond	45,628
Other Governmental	434,884
Riverview Nursing Home	1,339
Danbury Sewer	283,679
Regional Water	392,705
Catawba Portage Sewer	289,881
Other Enterprise	9,734
	<u>\$1,461,330</u>
Due to Road and Bridge from:	
General Fund	\$8,039
Other Governmental	182
Riverview Nursing Home	134
	<u>\$8,355</u>
Due to Special Assessment Bond from:	
General Fund	\$23
	<u>\$23</u>
Due to Other Governmental from:	
General Fund	\$16,820
Job and Family Services	1,717
Mental Retardation and Developmental Disabilities	10,431
Other Governmental	14,913
	<u>\$43,881</u>
Due to Riverview Nursing Home from:	
General Fund	\$646
	<u>\$646</u>
Due to Danbury Sewer from:	
General Fund	\$7,477
	<u>\$7,477</u>
Due to Regional Water from:	
General Fund	\$7,587
	<u>\$7,587</u>
	(continued)

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 11 - INTERFUND BALANCES – (Continued)

Due to Catawba Portage Sewer from:	
General Fund	\$3,166
Due to Other Enterprise from:	
General Fund	\$601
Due to Internal Service from:	
General Fund	\$3,619

Short-term interfund loans were advanced from the General Fund to provide working capital for operations or projects; the entire balance is scheduled to be collected within one year.

The remainder of the above receivables/payables is due to the time lag between the dates that (1) interfund goods and services are provided, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All of these amounts are expected to be received within one year.

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 2004, 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	\$1,000,000
Excess Liability	5,000,000
Law Enforcement Professional Liability	1,000,000
Public Officials Errors and Omissions Liability	1,000,000
Automobile Liability	1,000,000
Uninsured Motorists Liability	250,000
Ohio Stop Gap (Additional Workers' Compensation Coverage)	1,000,000
Building and Contents	98,370,258
Other Property Insurance	
Extra Expense	1,000,000
Contractors Equipment	1,607,668
Valuable Papers and Records	1,000,000
Miscellaneous Floaters	1,089,432
Automobile Physical Damage	Actual Cash Value
Flood and Earthquake	100,000,000
Comprehensive Boiler and Machinery	100,000,000
Crime	1,000,000

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 12 - RISK MANAGEMENT – (Continued)

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 2003, 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 manages health, vision, dental, and drug card insurance for its employees on a self insured basis. A third party administrator processes the claims, which the County pays. The Self Insurance internal service fund allocates the cost of providing claims servicing and claims payments by charging a monthly premium to each individual enrolled in the health insurance program. These premiums, along with the premium the County pays for each employee enrolled in the program, are paid into the Self Insurance internal service fund. Claims and services are paid from the Self Insurance internal service fund.

Under the health insurance program, the Self Insurance internal service fund provides coverage for a maximum annual benefit of \$125,000 per individual. The County purchased commercial insurance for claims in excess of coverage provided by the Self Insurance internal service fund. Settled claims have not exceeded this commercial coverage in the past three years.

All funds of the County participate in the program and make payments to the Self Insurance internal service fund based on actuarial estimates of the amounts needed to pay prior- and current-year claims. Claims payable is based on the requirements of Governmental Accounting Standards Board Statement No. 30, “Accounting and Financial Reporting for Risk Financing and Related Insurance Issues”, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Claims payable at December 31, 2004, was estimated by the third party administrator at \$576,544.

The changes in the claims liability for 2004 and 2003 were:

	Beginning Balance	Current Year Claims and Changes in Estimates	Claims Payments	Ending Balance
2004	\$707,516	\$2,433,464	\$2,564,436	\$576,544
2003	897,674	2,091,119	2,281,277	707,516

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 13 - SIGNIFICANT CONTRACTUAL COMMITMENTS

The County had the following contractual commitments outstanding as of December 31, 2004:

Contractor	Commitment	Remaining Balance
Poggemeyer Design Group	\$1,684,908	\$601,640
D & G Focht Construction	2,913,588	234,755
Brint Electric, Inc.	319,366	87,388
Maintenance Unlimited	1,509,718	17,508
Shook Construction	4,120,202	152,372
Helm & Associates	948,258	86,234
DiGioia Suburban Excavating	1,380,687	632,056
Brunkhorst Engineering	195,564	95,677

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 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, 2004, members of all three plans, other than those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salary to fund pension obligations. Members participating in the traditional plan, who were in law enforcement, contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The County's contribution rate for pension benefits for 2004 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the County's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 14 - DEFINED BENEFIT PENSION PLANS – (Continued)

The County's required contribution for pension obligations to the traditional and combined plans for the years ended December 31, 2004, 2003, and 2002, was \$1,929,355, \$1,594,281, and \$1,504,002, respectively; 91 percent has been contributed for 2004 and 100 percent has been contributed for 2003 and 2002. The unpaid contribution for 2004, in the amount of \$177,226 is recorded as a liability. Contributions to the member-directed plan for 2004 were \$12,953 made by the County and \$8,126 made by plan members.

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 2004 employer contribution rate was 13.55 percent of covered payroll (16.7 percent for law enforcement and public safety); 4.00 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's latest actuarial review performed as of December 31, 2003, 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 1 to 6 percent annually for the next eight years and 4 percent annually after eight years.

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.

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$737,374. The actual contribution and the actuarial required contribution amounts are the same. OPERS's net assets available for the payment of benefits at December 31, 2003 (the latest information available), was \$10.5 billion. The actuarial accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

In September 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of health care reserve fund in response to skyrocketing health care costs.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 16 - 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.

NOTE 17 - NOTES PAYABLE

The changes in the County's notes payable during 2004 were as follows:

Bond Anticipation Notes	Interest Rate	Balance December 31, 2003	Additions	Reductions	Balance December 31, 2004
<u>Governmental Activities</u>					
2003 Water System Improvement	1.60%	\$200,000		\$200,000	
2004 Water System Improvement	1.56		\$100,000		\$100,000
Total Governmental Activities		\$200,000	\$100,000	\$200,000	\$100,000
<u>Business-Type Activities</u>					
2003 Water System Improvement	1.60%	\$335,000		\$335,000	
2003 Sewer System Improvement	1.50	565,000		565,000	
2004 Water System Improvement	1.79		335,000	335,000	
2004 Sewer System Improvement	1.56		635,000		635,000
2004 Sewer System Improvement	1.50		1,250,000		1,250,000
2004 Sewer System Improvement	1.74		565,000	565,000	
Total Business-Type Activities		\$900,000	\$2,785,000	\$1,800,000	\$1,885,000

The County's bond anticipation notes are supported by the full faith and credit of Ottawa County and have a maturity of six months or one year.

On February 11, 2003, the County issued bond anticipation notes, in the amount of \$535,000, to construct various water improvements. The notes had an interest rate of 1.6 percent and were paid from the BANS debt service fund and the Regional Water enterprise fund, in the amount of \$200,000 and \$335,000, respectively.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 17 - NOTES PAYABLE – (Continued)

On April 22, 2003, the County issued bond anticipation notes, in the amount of \$565,000, to pay a portion of the cost of constructing sanitary sewer system improvements for the Clay Center project. The notes had an interest rate of 1.5 percent and were paid from the Sewer District #13 fund.

On February 10, 2004, the County issued bond anticipation notes, in the amount of \$335,000, to construct various water improvements. The notes had an interest rate of 1.79 percent and were paid from the Regional Water enterprise fund.

On February 10, 2004, the County issued bond anticipation notes, in the amount of \$735,000, to construct various water improvements and to pay a portion of the cost of constructing sanitary sewer improvements for the Portage-Catawba Island Sanitary Sewer System. The notes have an interest rate of 1.56 percent and are being paid from the BANS debt service fund and the Catawba Portage Sewer enterprise fund, in the amount of \$100,000 and \$635,000, respectively. These notes matured on February 8, 2005.

On April 20, 2004, the County issued bond anticipation notes, in the amount of \$1,250,000, to pay a portion of the cost of constructing sanitary sewer system improvements for the State Road project. The notes have an interest rate of 1.5 percent and are being paid from the Catawba Portage Sewer enterprise fund. These notes matured on April 19, 2005.

On April 20, 2004, the County issued bond anticipation notes, in the amount of \$565,000, to pay a portion of the cost of constructing sanitary sewer system improvements for the Clay Center project. The notes had an interest rate of 1.74 percent and were paid from the Sewer District #13 fund.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 18 - LONG-TERM OBLIGATIONS

The County's long-term obligations activity for the year ended December 31, 2004, was as follows:

	Interest Rate	Balance December 31, 2003	Additions	Reductions	Balance December 31, 2004	Due Within One Year
<u>Governmental Activities</u>						
General Obligation Bonds						
1984 Courthouse Construction (Original Amount \$565,000)	9.75%	\$25,000		\$25,000		
1984 Detention Facility (Original Amount \$595,000)	9.75	25,000		25,000		
1984 Welfare (Original Amount \$350,000)	9.75	65,000		15,000	50,000	10,000
1998 Various Improvement Bonds						
Welfare Building Refunding (Original Amount \$220,000)	4.25-5.5	140,000		17,000	123,000	17,000
Agriculture Building (Original Amount \$1,250,000)	4.25-5.5	845,000		70,000	775,000	70,000
2003 Various Purpose Bonds						
City/County Complex	3.63	1,330,000		70,000	1,260,000	75,000
Bond Premium		52,513		2,764	49,749	
Accounting Loss (Original Amount \$1,385,000)		(117,209)		(6,169)	(111,040)	

(continued)

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 18 - LONG-TERM OBLIGATIONS – (Continued)

	Interest Rate	Balance December 31, 2003	Additions	Reductions	Balance December 31, 2004	Due Within One Year
<u>Governmental Activities</u> (continued)						
General Obligation Bonds (continued)						
Industrial Park Improvement	3.64%	\$670,000		\$40,000	\$630,000	\$40,000
Bond Premium		26,821		1,601	25,220	
Accounting Loss (Original Amount \$510,000)		(62,235)		(3,715)	(58,520)	
Airport Improvement	3.63	495,000		25,000	470,000	25,000
Bond Premium		19,937		1,007	18,930	
Accounting Loss (Original Amount \$695,000)		(47,614)		(2,405)	(45,209)	
Community Resource Center	4.18	2,925,000		80,000	2,845,000	85,000
Bond Premium (Original Amount \$3,060,000)		35,207		963	34,244	
Port Authority Improvements	3.19	555,000		40,000	515,000	40,000
Bond Premium (Original Amount \$605,000)		57,237		4,125	53,112	
Airport Improvement	3.96	440,000		15,000	425,000	20,000
Bond Premium (Original Amount \$465,000)		11,508		392	11,116	
Total General Obligation Bonds		7,491,165		420,563	7,070,602	382,000
OWDA Loans						
1998 OWDA Dani-Donn (Original Amount \$47,710)	5.54	40,948		1,737	39,211	1,834
1999 OWDA/OEPA Regional Water (Original Amount \$17,942,681)	4.02	15,737,719		688,252	15,049,467	716,198
Total OWDA Loans		15,778,667		689,989	15,088,678	718,032
Special Assessment Bonds						
1986 Sun Valley (Original Amount \$192,000)	7.0	30,000		10,000	20,000	10,000
1991 LaCarne Water (Original Amount \$45,000)	7.0	18,200		2,300	15,900	2,200
1995 Gypsum Sewer (Original Amount \$112,769)	4.5	67,600		5,600	62,000	5,600
1998 Lake in the Woods Refunding (Original Amount \$213,000)	4.25-5.5	98,000		21,000	77,000	20,000
1998 Catawba Sewer Refunding (Original Amount \$8,395,000)	4.25-5.5	5,360,000		570,000	4,790,000	600,000
1998 State Route 163 Refunding (Original Amount \$209,000)	4.25-5.5	135,000		12,000	123,000	17,000
1998 Route 269 Sewer Refunding (Original Amount \$68,000)	4.25-5.5	45,000		4,000	41,000	4,000
1999 Perryview Estates Plat 5 & 6 (Original Amount \$127,826)	6.13	115,000		4,190	110,810	4,451
Total Special Assessment Bonds		5,868,800		629,090	5,239,710	663,251

(continued)

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 18 - LONG-TERM OBLIGATIONS – (Continued)

	Interest Rate	Balance December 31, 2003	Additions	Reductions	Balance December 31, 2004	Due Within One Year
<u>Governmental Activities</u> (continued)						
Other Long-Term Obligations						
Compensated Absences		\$1,301,249	\$61,773	\$32,310	\$1,330,712	\$366,877
Capital Leases		39,628		9,559	30,069	9,775
Total Other Long-Term Obligations		<u>1,340,877</u>	<u>61,773</u>	<u>41,869</u>	<u>1,360,781</u>	<u>376,652</u>
Total Governmental Activities		<u>\$30,479,509</u>	<u>\$61,773</u>	<u>\$1,781,511</u>	<u>\$28,759,771</u>	<u>\$2,139,935</u>
<u>Business-Type Activities</u>						
General Obligation Revenue Bonds						
County Home						
1984 Health Care Facility (Original Amount \$2,000,000)	9.75%	\$100,000		\$100,000		
1988 County Home Refunding (Original Amount \$862,000)	4.25	540,000		58,000	482,000	54,000
1993 Danbury Sanitary Sewer System Refunding Bonds						
Capital Appreciation Bonds	5.75-5.85	1,061,625		238,292	823,333	
Accretion (Original Amount \$1,061,625)		878,890	109,361	217,034	771,217	
1998 Catawba Portage Sewer Sanitary Sewer Refunding (Original Amount \$3,445,000)	4.25	2,815,000		140,000	2,675,000	150,000
1998 Danbury Sewer Various Purpose (Original Amount \$444,000)	4.25	294,000		30,000	264,000	30,000
1998 Catawba Portage Sanitary Sewer Refunding Accounting Loss (Original Amount \$5,055,000)	5.0	5,055,000 (514,144)		(18,362)	5,055,000 (495,782)	
1998 Portage Catawba Water Various Purpose (Original Amount \$379,000)	4.25	243,000		28,000	215,000	28,000
1999 Regional Water Rural Development (Original Amount \$2,000,000)	4.75	1,899,900		28,100	1,871,800	29,400
2003 Danbury Sewer Refunding Bonds Bond Discount Accounting Loss (Original Amount \$3,355,000)	3.3	3,355,000 (27,770) (93,627)		10,000 (83) (279)	3,345,000 (27,687) (93,348)	35,000
2003 County Home Refunding Bond Premium Accounting Loss (Original Amount \$3,650,000)	3.07	3,420,000 74,143 (369,715)		280,000 6,070 (30,269)	3,140,000 68,073 (339,446)	285,000
2003 Catawba Portage Sewer Chemical Dosing Station Bond Premium Accounting Loss (Original Amount \$245,000)	3.66	235,000 9,975 (21,312)		15,000 637 (1,360)	220,000 9,338 (19,952)	10,000
Total General Obligation Revenue Bonds		<u>18,954,965</u>	<u>109,361</u>	<u>1,100,780</u>	<u>17,963,546</u>	<u>621,400</u> (continued)

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 18 - LONG-TERM OBLIGATIONS – (Continued)

	Interest Rate	Balance December 31, 2003	Additions	Reductions	Balance December 31, 2004	Due Within One Year
<u>Business-Type Activities</u> (continued)						
Ohio Water and Sewer Loans						
1991 Portage Catawba Water (Original Amount \$185,855)	0.0%	\$104,525		\$1,050	\$103,475	
1992 Danbury Sewer (Original Amount \$216,741)	0.0	107,284		14,162	93,122	
1992 Catawba Portage Sewer (Original Amount \$28,662)	0.0	12,676				
1999 Regional Water (Original Amount \$1,108,668)	0.0	1,066,819		27,006	1,039,813	
2001 Camp Perry Western Road (Original Amount \$37,929)	0.0	28,824			28,824	
2004 Clay Center (Original Amount \$13,128)	0.0		\$13,128		13,128	
Total Ohio Water and Sewer Loans		1,320,128	13,128	42,218	1,291,038	
OWDA Loans						
1997 Danbury Sewer (Original Amount \$1,246,205)	3.04	947,658		55,226	892,432	\$56,918
1997 Regional Water (Original Amount \$29,991,085)	2.0	26,131,934		1,013,505	25,118,429	1,033,775
2001 Camp Perry Western Road (Original Amount \$1,246,205)	5.74	16,422		517	15,905	547
2004 Danbury Township Wastewater Improvement (Original Amount \$4,632,743)	0.0		4,632,743		4,632,743	
2004 Golf Lane Waterline (Original Amount \$69,018)	4.56		69,018		69,018	1,075
2004 Water Plant Expansion (Original Amount \$3,065,360)	0.0		3,065,360		3,065,360	
Total OWDA Loans		27,096,014	7,767,121	1,069,248	33,793,887	1,092,315
OPWC Loans						
1992 Danbury Sewer #CE340 (Original Amount \$486,780)	4.0	266,777		25,167	241,610	26,184
1994 Hydrogen Sulfide Control (Original Amount \$168,000)	4.0	108,445		8,024	100,421	8,349
1999 Danbury Sewer #CE004 (Original Amount \$169,741)	0.0	131,549		8,487	123,062	8,487
1999 Allen Sewer (Original Amount \$23,035)	0.0	17,851		1,152	16,699	1,152
2003 Regional Water - Gypsum (Original Amount \$83,933)	0.0	83,933		4,196	79,737	2,098
2003 Clay Center (Original Amount \$222,352)	0.0	199,993	22,359		222,352	5,559
2004 Regional Water Valve Bolt Corrosion (Original Amount \$174,000)			174,000		174,000	

(continued)

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 18 - LONG-TERM OBLIGATIONS – (Continued)

	Interest Rate	Balance December 31, 2003	Additions	Reductions	Balance December 31, 2004	Due Within One Year
<u>Business-Type Activities</u> (continued)						
OPWC Loans (continued)						
2004 State Road Sewer (Original Amount \$70,055)			\$70,055		\$70,055	
Total OPWC Loans		\$808,548	266,414	\$47,026	1,027,936	\$51,829
OEPA Loan						
1999 Regional Water (Original Amount \$3,274,564)	4.02	2,872,154		125,607	2,746,547	130,707
Other Long-Term Obligations						
Compensated Absences		397,281	15,044	49,728	362,597	132,022
Total Business-Type Activities		\$51,449,090	\$8,189,430	\$2,452,969	\$57,185,551	\$2,028,273

General Obligation Bonds

General obligation bonds are supported by the full faith and credit of Ottawa County. General obligation bonds will be paid from property tax revenues to the extent that other resources are not available to meet annual principal and interest payments.

1998 Various Improvement Bonds

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

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.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 18 - LONG-TERM OBLIGATIONS – (Continued)

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

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 in general obligation bonds with interest rates from 3.63 percent to 4.18 percent. These bonds were issued for improvements to the County/City Complex, Industrial Park Improvement, Airport Improvement, Community Resource Center construction, and Port Authority Improvements.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 18 - LONG-TERM OBLIGATIONS – (Continued)

The bonds maturing on December 1, 2015, are subject to mandatory sinking fund redemption on December 1, 2014, at a redemption price of 100 percent of the principal redeemed plus accrued interest to the redemption date as follows:

Year	Amount
2014	\$735,000

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

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

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

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

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

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 will be paid from the proceeds of the special assessments levied against those property owners who primarily benefited from the project. In the event that property owners fail to make their special assessment payments, the County is responsible for providing the resources to meet annual principal and interest payments. Special assessment debt is supported by the full faith and credit of Ottawa County.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 18 - LONG-TERM OBLIGATIONS – (Continued)

Compensated Absences Payable

The compensated absences liability will be paid from the fund from which the employees' salaries are paid. These funds include the General Fund, the Road and Bridge, Job and Family Services, Mental Retardation and Developmental Disabilities, Dog, Real Estate Assessment, Emergency Management, Child Support Enforcement Agency, Ottawa County Transportation Agency, and Litter Control special revenue funds, and the Riverview Nursing Home, Danbury Sewer, Regional Water, Catawba Portage Sewer, and Sewer District #13 enterprise funds.

Capital Leases Payable

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

General Obligation Revenue Bonds

The general obligation revenue bonds are liabilities of the various enterprise funds and pledge their respective revenues for repayment. The bonds also pledge the full faith and credit and taxing ability of the County in the event that the enterprise funds' revenues are not sufficient to meet the principal and interest requirements.

1993 Danbury Sanitary Sewer System Refunding Bonds

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

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

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

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

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

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 18 - LONG-TERM OBLIGATIONS – (Continued)

Fund assets, whose use are restricted under the bond indenture, are presented as restricted assets on the statement of fund net assets. Restricted assets relating to the 1993 Danbury Sanitary Sewer System Refunding Bonds at December 31, 2004, were as follows:

Restricted Assets Held by the Trustee	
Revenue Bond Current Debt Service	\$692,290
Revenue Bond Renewal and Replacement	53,575

Catawba Portage Sanitary Sewer Revenue Refunding Bonds

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

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

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

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

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

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 18 - LONG-TERM OBLIGATIONS – (Continued)

Fund assets, whose use are restricted under the bond indenture, are presented as restricted assets on the statement of fund net assets. Restricted assets relating to the Catawba Portage Sanitary Sewer Revenue Refunding Bonds at December 31, 2004, were as follows:

Restricted Assets Held by the Trustee	
Revenue Bond Current Debt Service	\$210,875
Revenue Bond Renewal and Replacement	66,283

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, 2004, \$10,130,200 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 agricultural land. The loan principal is being deferred as long as the land is used for agriculture purposes. If the land is ever used for other than agriculture purposes, the loan is due and payable, the special assessments are then due and collectible by the County, and the monies collected are to be remitted to the Ohio Water and Sewer Rotary Commission (OWSRC) within one year of collection.

The loans are non-interest bearing as long as the land is used for agriculture purposes. If the land is ever used for other than agriculture purposes and the required special assessments are not remitted to OWSRC, the loans become interest bearing at an interest rate to be determined by OWSRC. Several of these loans were used for purposes outside the loan and were required to submit monies to OWSRC.

OWDA Loans

OWDA loans consist of monies owed to the Ohio Water Development Authority for various water and sewer projects. OWDA loans are payable solely from special assessments and the gross revenues of the enterprise funds.

OPWC Loans

OPWC loans consist of monies owed to the Ohio Public Works Commission for the improvement and replacement of sanitary sewers. OPWC loans are payable solely from the gross revenues of the enterprise funds.

OEPA Loan

The OEPA loan consists of monies owed to the Ohio Environmental Protection Agency (OEPA) for the Regional Water Project. The OEPA loan is payable from revenues from the Regional Water enterprise fund.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 18 - LONG-TERM OBLIGATIONS – (Continued)

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, 2004, the County's overall debt margin was \$150,204,781 with an unvoted debt margin of \$75,683,682.

The Danbury Sewer, Portage Catawba Water, Regional Water, Camp Perry Western Road, Catawba Portage Sewer, and Clay Center projects funded by Ohio Water and Sewer Loans, the Danbury Township Wastewater Improvement and Water Plant Expansion projects funded by Ohio Water Development Authority, and the Regional Water Valve Bolt Corrosion and State Road Sewer projects funded by Ohio Public Works 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.

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

Year	General Obligation Bonds		OWDA Loans		Special Assessment Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
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	425,000	233,000	842,073	475,993	748,467	127,684
2010-2014	2,094,000	939,547	4,752,439	1,837,891	1,647,885	157,809
2015-2019	1,590,000	515,949	5,798,071	790,256	51,698	10,039
2020-2024	860,000	227,000	644,082	12,947	5,424	166
2025-2028	545,000	46,963				
	<u>\$7,093,000</u>	<u>\$3,012,698</u>	<u>\$15,088,678</u>	<u>\$5,337,338</u>	<u>\$5,239,710</u>	<u>\$1,121,655</u>

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 18 - LONG-TERM OBLIGATIONS – (Continued)

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

Year	General Obligation Revenue Bonds					
	Principal	Interest				
2005	\$845,675	\$1,120,960				
2006	861,394	1,115,181				
2007	860,777	1,107,947				
2008	862,787	1,098,754				
2009	1,165,400	634,260				
2010-2014	6,038,900	2,539,597				
2015-2019	1,642,100	1,687,739				
2020-2024	1,974,300	1,248,528				
2025-2029	2,404,000	720,841				
2030-2034	1,435,800	145,028				
	\$18,091,133	\$11,418,835				

Year	OWDA Loans		OPWC Loans		OEPA Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$1,092,315	\$531,549	\$51,829	\$13,339	\$130,707	\$109,111
2006	1,115,915	510,596	60,881	11,944	136,014	103,804
2007	1,138,937	487,575	62,332	10,493	141,537	98,281
2008	1,162,443	464,068	63,844	8,982	147,284	92,534
2009	1,186,442	440,069	65,413	7,411	153,264	86,554
2010-2014	6,310,253	1,822,300	279,607	13,342	864,878	334,212
2015-2019	6,819,698	1,145,625	119,945		1,055,317	143,773
2020-2024	7,267,192	443,641	74,471		117,546	2,363
2025	2,589	59	5,559			
	\$26,095,784	\$5,845,482	\$783,881	\$65,511	\$2,746,547	\$970,632

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 18 - LONG-TERM OBLIGATIONS – (Continued)

Industrial Revenue Bonds

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

	Amount of Issue	Amount Outstanding at 12/31/04
Adrian Sand and Stone Inc.	\$5,000,000	\$1,680,000
Luther Home of Mercy	5,120,000	3,895,000
Otterbein Home	67,960,000	54,165,000
Ottawa Residential Services	4,043,000	3,828,000
Magruder Hospital	7,500,000	5,910,000

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

NOTE 19 - CAPITAL LEASES - LESSEE DISCLOSURE

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

Principal payments in 2004 were \$9,559 for governmental funds.

	Governmental Activities
Equipment	\$39,835
Less Accumulated Depreciation	(12,742)
Carrying Value, December 31, 2004	\$27,093

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 19 - CAPITAL LEASES - LESSEE DISCLOSURE – (Continued)

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, 2004.

Fiscal Year Ending June 30,	Governmental Activities	
	Principal	Interest
2005	\$9,775	\$501
2006	6,453	327
2007	6,576	204
2008	6,701	79
2009	564	
Total	<u>\$30,069</u>	<u>\$1,111</u>

NOTE 20 - INTERFUND TRANSFERS

During 2004 the following transfers were made:

	Transfers Out			
	General	Job and Family Services	Mental Retardation and Developmental Disabilities	Other Governmental
Governmental Activities				
General				\$6,733
Road and Bridge	\$27,306			
Job and Family Services				422,155
Special Assessment Bond	279			
Other Governmental	646,049	\$163,567	\$75,000	110,679
Total Governmental Activities	<u>673,634</u>	<u>163,567</u>	<u>75,000</u>	<u>539,567</u>
Business-Type Activities				
Riverview Nursing Home	6,838			
Danbury Sewer	54,138			
Regional Water	49,147			18,000
Catawba Portage Sewer	31,280			
Other Enterprise	6,616			
Total Business-Type Activities	<u>148,019</u>			<u>18,000</u>
Internal Service Fund	22,995			
Total	<u>\$844,648</u>	<u>\$163,567</u>	<u>\$75,000</u>	<u>\$557,567</u>

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 20 - INTERFUND TRANSFERS – (Continued)

		Transfers Out		
		Regional Water	Other Enterprise	Total
Governmental Activities				
	General			\$6,733
	Road and Bridge			27,306
	Job and Family Services			422,155
	Special Assessment Bond			279
	Other Governmental	\$101,825		1,097,120
Transfers In	Total Governmental	101,825		1,553,593
Activities				
Business-Type Activities				
	Riverview Nursing Home			6,838
	Danbury Sewer			54,138
	Regional Water		\$189,880	257,027
	Catawba Portage Sewer		128,606	159,886
	Other Enterprise	39,406		46,022
	Total Business-Type	39,406	318,486	523,911
Activities				
	Internal Service Fund			22,995
	Total	<u>\$141,231</u>	<u>\$318,486</u>	<u>\$2,100,499</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 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	\$1,710
Amount Received for Distribution	12,200
Amount Distributed to Entitled Recipients	(2,277)
Balance at End of Year	<u>\$11,633</u>

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 22 - 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.

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, 2004, the County's equity interest in the Joint Solid Waste District was \$129,110. 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 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 ADAMH Board. The Board has sole budgetary authority and controls surpluses and deficits, and the County is not legally obligated for the Board's debt. During 2004, the County made no contributions to ADAMHS. Financial information can be obtained from Connie Ward, Erie County Auditor, 247 Columbus Avenue, Sandusky, Ohio, 44870.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 22 - JOINT VENTURES – (Continued)

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 2004, the County provided \$34,244 for airport operations. Financial information for the Airport Authority can be obtained from Valerie Gregory, Secretary, 3255 East State Road, Port Clinton, Ohio 43452.

NOTE 23 - JOINTLY GOVERNED ORGANIZATION

The County participates in the Ottawa County Regional Planning Commission (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 2004, the County contributed \$143,578 to the Regional Planning Commission.

NOTE 24 - 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 25 - RIVERVIEW INDUSTRIES, INC.

A. Summary of Significant Accounting Policies

Reporting Entity

Riverview Industries (Industries) utilizes the governmental model for accounting and financial reporting as established by NCGA Statement 1, "Governmental Accounting and Financial Reporting Principles, as modified by subsequent NCGA and GASB pronouncements.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 25 - RIVERVIEW INDUSTRIES, INC. – (Continued)

Basis of Presentation

The Industries is accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities are included on the statement of net assets. The Industries uses the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

Materials and Supplies Inventory

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

B. Restatement of Net Assets

In prior years, Riverview Industries did not record a liability for accrued vacation. In addition, in prior years, Riverview Industries used the tax acceleration method of depreciating their capital assets. In 2004, Riverview Industries changed to the straight-line method of depreciation. The total decrease in net assets as a result of these changes was \$61,901.

C. Deposits and Investments

The carrying amount of Riverview Industries' deposits at year end was \$432,560 and the bank balance was \$395,810. Of the bank balance, \$363,957 was covered by federal depository insurance and \$31,853 was uninsured and uncollateralized. There are no significant statutory restrictions regarding the deposit and investment of funds by the not-for-profit corporation.

D. Capital Assets

Property and equipment are recorded at cost. It is the Industries' policy to capitalize items with a useful life in excess of three years and having a value of over \$500. Donated assets are capitalized at fair value on the date donated. Depreciation is calculated on a straight line basis over the useful life of the asset, which ranges from ten to forty years.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 25 - RIVERVIEW INDUSTRIES, INC. – (Continued)

Capital asset activity for the year ended December 31, 2004, was as follows:

	Balance December 31, 2003	Additions	Reductions	Balance December 31, 2004
Buildings	\$14,660			\$14,660
Building Improvements	11,397			11,397
Furniture and Fixtures	55,663	\$15,658		71,321
Equipment	37,092			37,092
Vehicles	67,893	12,616		80,509
Total Depreciable Capital Assets	186,705	28,274		214,979
Less Accumulated Depreciation	(98,644)	(31,758)		(130,402)
Total Depreciable Capital Assets, Net	<u>\$88,061</u>	<u>(\$3,484)</u>		<u>\$84,577</u>

E. Risk Management

Riverview Industries is exposed to various risks of loss related to torts; theft, or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2004, Riverview Industries contracted with the Bowden Insurance Agency for commercial, directors and officers liability, individual fidelity bond, and surety bond insurance.

Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in insurance coverage from the prior year.

F. Accrued Vacation

Vacation is accumulated based on length of service. Employees are eligible for two weeks paid vacation after one year of employment, three weeks paid vacation after eight years of employment, and four weeks paid vacation after fourteen years of employment.

G. Debt

The Industries' long-term obligations activity for the year ended December 31, 2004, was as follows:

	Restated Balance December 31, 2003	Additions	Reductions	Balance December 31, 2004	Due Within One Year
Note Payable	\$5,002		\$5,002		
Line of Credit	28,000			28,000	
Compensated Absences	73,384		48	73,336	
Capital Lease	11,205		4,315	6,890	4,696
	<u>\$117,591</u>		<u>\$9,317</u>	<u>\$108,226</u>	<u>\$4,696</u>

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 25 - RIVERVIEW INDUSTRIES, INC. – (Continued)

On June 1, 1999, Riverview Industries entered into an agreement with Ottawa County Board of Mental Retardation and Developmental Disabilities to assist in covering the cost of health care benefits for Riverview Industries employees. The agreement between Riverview Industries and the MRDD stipulated that the MRDD would reserve a non-interest bearing line of credit, for the period June 1, 1999, to December 31, 2000, to be drawn upon as needed to cover additional fixed costs. The drawdowns from the account were limited to \$8,500 per month. Riverview Industries is required to replenish the funds at such time when its profitability moves ahead of planned levels. As of December 31, 2004, \$28,000 of the line of credit had been drawn down and was outstanding.

H. Capital Leases

Riverview Industries has entered into a capitalized lease for equipment. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

Principal payments in 2004 were \$3,964.

Equipment	\$21,000
Less Accumulated Depreciation	(11,440)
Carrying Value, December 31, 2004	\$9,560

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, 2004.

Year	Principal	Interest
2005	\$4,696	\$403
2006	2,194	94
Total	\$6,890	\$497

I. Significant Concentration of Business with Customer

One company provides approximately 30.8 percent of the service revenue to Riverview Industries, Inc. If canceled, the volume of business would have a severe impact on the production operations of Riverview Industries. However, management would still carry on mental retardation programs regardless of services it could lose until new customers were secured. Management is unsure of the risk of this company canceling during the next year or thereafter.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 26 - RELATED PARTY TRANSACTIONS

During 2004, 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 \$992,013 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 8, 2005, the County issued bond anticipation notes, in the amount of \$500,000, for sanitary sewer improvements for the Portage/Catawba Island Project. The notes have an interest rate of 2.85 percent and mature on February 8, 2006.

On April 19, 2005, the County issued bond anticipation notes, in the amount of \$1,250,000, for sanitary sewer improvements for the State Road Project. The notes have an interest rate of 3 percent and mature on October 19, 2005.

On June 29, 2005, the County issued bond anticipation notes, in the amount of \$1,500,000, for improvements to various County buildings. The notes have an interest rate of 3.05 percent and mature on June 28, 2006.

On October 19, 2005, the County obtained a loan, in the amount of \$815,000, for the State Road Sewer project. The loan has an interest rate of 4.61 percent and matures on December 1, 2025.

On February 7, 2006, the County issued various general obligation bond anticipation notes, in the amount of \$1,075,000 for Phase IV, Allen/Clay Sanitary Sewer Project and Sanitary Sewer System – Portage/Catawba Island project. The notes have an interest rate of 4.00 percent and mature on February 7, 2007.

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**FINANCIAL CONDITION
OTTAWA COUNTY**

**Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2004**

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	2004-VAGene248	16.575	\$ 50,062
	2005-VAGene248		8,559
<i>Total Crime Victims Assistance</i>			<u>58,621</u>
<i>Passed Through Drug Task Force - Erie County</i>			
Edward Byrne Memorial Grant Program	02-DG-A01-7005	16.579	<u>38,443</u>
Total Department of Justice			<u>97,064</u>
UNITED STATES DEPARTMENT OF TRANSPORTATION			
<i>Passed Through Ohio Department of Transportation</i>			
Rural Transit Grant Program - Operating	OH-18-X021	20.509	119,481
Rural Transit Grant Program - Capital	OH-18-X021		108,786
<i>Total Rural Transit Grant</i>			<u>228,267</u>
Highway Planning and Construction	PID 22908	20.205	<u>322,987</u>
Total Department of Transportation			<u>551,254</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 04-05	93.667	40,564
State Children's Insurance Program (SCHIP)	6200015	93.767	2,189
Medical Assistance Program			
Community Alternative Funding System	6200015	93.778	519,522
Targeted Case Management	6200015	93.778	102,260
<i>Total Medical Assistance Program</i>			<u>621,782</u>
<i>Passed Through Ohio Department of Job and Family Services</i>			
Promoting Safe and Stable Families	n/a	93.556	8,321
Child Welfare Services- State Grants	n/a	93.645	35,103
<i>Passed Through Ohio Department of Transportation</i>			
Special Programs for the Aging - Title III, Part B	n/a	93.044	24,301
<i>Passed Through Area Office on Aging</i>			
Older Americans Act -Nutrition Program	n/a	93.045	<u>28,023</u>
Total Department of Health and Human Services			<u>760,283</u>

(Continued)

**FINANCIAL CONDITION
OTTAWA COUNTY**

**Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2004
(Continued)**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disburse- ments
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 Program	n/a	17.258	122,143
Workforce Investment Act - Adult - Administrative <i>(Passed Through Workforce Investment Act, Area 7)</i>			5,135
Workforce Investment Act - Adult Program	n/a	17.258	107,562
Workforce Investment Act - Adult - Administrative			8,064
<i>Total WIA Adult Program</i>			<u>242,904</u>
<i>(Passed Through Ohio Department of Jobs and Family Services)</i>			
Workforce Investment Act - Youth Program	n/a	17.259	173,081
Workforce Investment Act - Youth - Administrative <i>(Passed Through Workforce Investment Act, Area 7)</i>			1,473
Workforce Investment Act - Youth Program	n/a	17.259	50,917
Workforce Investment Act - Youth - Administrative			238
<i>Total WIA Youth Program</i>			<u>225,709</u>
<i>(Passed Through Ohio Department of Jobs and Family Services)</i>			
Workforce Investment Act - Dislocated Worker	n/a	17.260	68,649
Workforce Investment Act - Dislocated - Administrative <i>(Passed Through Workforce Investment Act, Area 7)</i>			8,082
Workforce Investment Act - Dislocated Worker	n/a	17.260	41,542
Workforce Investment Act - Dislocated - Administrative			4,002
<i>Total WIA Dislocated Worker Program</i>			<u>122,275</u>
<i>Total WIA Cluster</i>			590,888
<i>(Passed Through Workforce Investment Act, Area 7)</i>			
Unemployment Insurance	n/a	17.225	8,470
Total Department of Labor			<u>599,358</u>
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-03-057-1	14.228	127,173
	B-E-02-1057-1		153,239
	B-F-02-057-1		61,151
	B-C-02-057-1		14,563
<i>Total CDBG - Small Cities Program</i>			<u>356,126</u>
Home Investment Partnerships Program	B-C-02-057-2	14.239	200,692
Total Department of Housing and Urban Development			<u>556,818</u>

(Continued)

**FINANCIAL CONDITION
OTTAWA COUNTY**

**Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2004
(Continued)**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disburse- ments
FEDERAL EMERGENCY MANAGEMENT AGENCY			
<i>Passed Through Ohio Department Of Public Safety</i>			
Emergency Management Performance Grant	S04-FE04-62-0505	97.042	28,786
FEMA Supplemental Planning Grant	n/a	97.051	34,953
State Domestic Preparedness Equipment Grant	SO4-SHSP-87-0445	97.004	108,859
	SO4-HPP2-62-0150		8,228
	SO3-HEO3-62-0473		78,000
	SO4-HEP2-62-0062		130,425
<i>Total State Domestic Preparedness Equipment Grant</i>			<u>325,512</u>
Hazard Mitigation Grant Program - Elevation Project	FEMA-DR-1339-OH	97.039	9,211
Total Hazard Mitigation Grant Program			<u>9,211</u>
Total Emergency Management Agency			<u>398,462</u>
U.S. DEPARTMENT OF DEFENSE			
<i>Passed Through the Ohio Adjutant General</i>			
Military Construction - National Guard Project	33-03-2-1001	12.400	20,977
U.S. DEPARTMENT OF ECONOMIC DEVELOPMENT			
<i>Direct Assistance</i>			
Grants for Public Works and Economic Development Facilities		11.300	495,285
U.S. DEPARTMENT OF COMMERCE			
<i>Direct Assistance</i>			
Surveys, Studies, Investigations & Special Purpose Grants		66.606	<u>\$ 538,653</u>
TOTAL FEDERAL AWARDS EXPENDITURES			<u><u>\$ 4,018,154</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE.

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**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED DECEMBER 31, 2004**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

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

The County has established a revolving loan program to provide low-interest loans to persons from low-moderate income households to assist first time home buyers and to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the County passed through the Ohio Department of Development. The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Federal Awards Expenditures (the Schedule). Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule.

These loans are collateralized by liens to be filed against the property per the loan agreements. At December 31, 2004, the gross amount of loans outstanding under this program was \$529,064.

NOTE C - MATCHING REQUIREMENTS

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

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**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 43452-1943

To the Board of County Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of Ottawa County, Ohio (the County) as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 9, 2006. 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 opinions 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 March 9, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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 March 9, 2006, we reported other matters related to noncompliance we deemed immaterial.

One Government Center / Room 1420 / Toledo, OH 43604-2246
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484
www.auditor.state.oh.us

We intend this report solely for the information and use of management, 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

March 9, 2006



**Auditor of State
Betty Montgomery**

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

Ottawa County
315 Madison Street, Suite 103
Port Clinton, Ohio 43452-1943

To the Board of County Commissioners:

Compliance

We have audited the compliance of Ottawa County, Ohio (the County) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to each of its major federal programs for the year ended December 31, 2004. The summary of auditor's results section of the accompanying schedule of findings identifies the County's major federal programs. The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, the County complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended March 9, 2006.

Internal Control Over Compliance

The County's management 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 directly and materially affect a major federal program 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.

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Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484
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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 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 noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the County's management in a separate letter dated March 9, 2006.

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

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

Betty Montgomery
Auditor of State

March 9, 2006

**FINANCIAL CONDITION
OTTAWA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2004**

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):	Grants for Public Works and Economic Development Facilities – CFDA No. 11.300, Highway Planning & Construction – CFDA No. 20.205, Surveys, Studies, Investigations & Special Purpose Grants – CFDA No. 66.606 and State Domestic Preparedness Equipment Grant and Homeland Security Planning – CFDA No. 97.004
<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?	Low

**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



**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
APRIL 4, 2006**