



**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2004



**Auditor of State
Betty Montgomery**

VILLAGE OF OTTAWA HILLS
LUCAS COUNTY

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**Auditor of State
Betty Montgomery**

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

To the Honorable Mayor and Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statement due to a February 2, 2005, interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statement in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statement presents are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statement you prepared using the cash basis and financial statement format the AOS permits.

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Betty Montgomery
Auditor of State

August 7, 2006

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Honorable Mayor and Village Council:

We have audited the accompanying financial statement of the Village of Ottawa Hills, Lucas County, (the Village) as of and for the year ended December 31, 2004. This financial statement is the responsibility of the Village's management. Our responsibility is to express an opinion on this financial statement 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 statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 opinion.

As described more fully in Note 1, the Village has prepared this financial statement using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statement of the variances between these regulatory accounting practices and GAAP, we presume they are material.

As described more fully in Note 3, the Village has reclassified the Income Tax Fund to the General Fund and the Police and Fire Pension Funds to the Special Revenue Fund Type for 2004.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statement presents for 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of

State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statement. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statement referred to above for the year ended December 31, 2004, does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statement referred to above presents fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Ottawa Hills, Lucas County, as of December 31, 2004, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 7, 2006, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

August 7, 2006

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$539,768	\$94,872		\$634,640
Municipal Income Tax	2,751,584			2,751,584
Special Assessments		48,586		48,586
Intergovernmental Receipts	1,586,181	166,564	\$1,270,491	3,023,236
Charges for Services	61,990			61,990
Fines, Licenses, and Permits	62,352	13,836		76,188
Earnings on Investments	547,108	22,796	20,000	589,904
Miscellaneous	2,487			2,487
	<u>5,551,470</u>	<u>346,654</u>	<u>1,290,491</u>	<u>7,188,615</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	2,112,633	289,169		2,401,802
Public Health Services	30,666			30,666
Leisure Time Activities	205,706	49,645		255,351
Basic Utility Services	317,182	166,357		483,539
Transportation	308,696	202,151	113,334	624,181
General Government	603,485			603,485
Debt Service:				
Principal Payments			4,500,000	4,500,000
Interest Payments			341,890	341,890
Capital Outlay	52,165	17,994	1,274,629	1,344,788
	<u>3,630,533</u>	<u>725,316</u>	<u>6,229,853</u>	<u>10,585,702</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>1,920,937</u>	<u>(378,662)</u>	<u>(4,939,362)</u>	<u>(3,397,087)</u>
Other Financing Receipts and (Disbursements):				
Sale of Fixed Assets	2,029			2,029
Transfers-In		400,000	4,150,000	4,550,000
Other Sources	153,135	11,572	3,025	167,732
Transfers-Out	(4,550,000)			(4,550,000)
Other Uses	(64,945)			(64,945)
	<u>(4,459,781)</u>	<u>411,572</u>	<u>4,153,025</u>	<u>104,816</u>
Total Other Financing Receipts/(Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(2,538,844)	32,910	(786,337)	(3,292,271)
Fund Cash Balances, January 1	<u>8,988,055</u>	<u>1,250,706</u>	<u>7,610,713</u>	<u>17,849,474</u>
Fund Cash Balances, December 31	<u>\$6,449,211</u>	<u>\$1,283,616</u>	<u>\$6,824,376</u>	<u>\$14,557,203</u>
Reserves for Encumbrances, December 31	<u>\$55,408</u>	<u>\$38,767</u>	<u>\$1,575,335</u>	<u>\$1,669,510</u>

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

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**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Ottawa Hills, Lucas County, (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides general governmental services, including police and fire services, refuse and recycling pickup, as well as road maintenance and other functions, and park operations (leisure time activities).

The Village's management believes this financial statement presents all activities for which the Village is financially accountable.

B. Basis of Accounting

This financial statement follows the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

This statement adequately discloses material matters the Auditor of State prescribes.

C. Cash and Investments

The Village's accounting basis includes investments as assets. This basis does not report disbursements for investment purchases or receipts for investment sales. The Village reports gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values U.S. Agency instruments at cost. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual fund reports.

D. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

Recycling Fund -This fund receives transfers from the General Fund and revenue from the sale of recyclables for the recycling program in the Village.

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through trust funds). The Village had the following significant capital project funds:

Capital Financed Fund - This fund receives transfers from the General Fund and proceeds from note issuance for various capital expenditures.

Capital Grants Fund – This fund receives transfers from the General Fund, grant and loan proceeds from the Ohio Public Works Commission, as well as reimbursement from cooperating jurisdictions on joint projects, for road projects.

Capital Reserve Fund – This fund receives transfers from the General Fund and serves as a reserve for future capital needs of the Village.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

A summary of 2004 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statement does not report these items as assets.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statement does not include a liability for unpaid leave. The Village has established a Termination of Benefit Fund for payment of estimated termination benefits. As of December 31, 2004, the cash fund balance of the Termination of Benefit Fund was \$309,200.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2004
Demand deposits	<u>\$440,157</u>
U.S. Agency Notes	14,014,675
STAR Ohio	<u>102,371</u>
Total investments	<u>14,117,046</u>
Total deposits and investments	<u><u>\$14,557,203</u></u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village or collateralized by the financial institution's public entity deposit pool.

Investments: The Federal Reserve holds the Village's U.S. Treasury Notes in book-entry form, in the name of the Village's financial institution. The financial institution maintains records identifying the Village as owner of these securities. Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2004
(Continued)**

3. PRIOR PERIOD RESTATEMENT

The Village reported the Income Tax, Police Pension and Fire Pension Funds as Expendable Trust Funds in 2003. These funds were not correctly categorized in 2003 and the following are the adjustments to the December 31, 2003, fund type balances to properly categorize these funds for fiscal year 2004:

Explanation	General	Special Revenue	Expendable Trust
Fund Balance 12/31/2003	\$3,035,086	\$1,107,851	\$6,095,824
Adjustment to move Income Tax Fund to General Fund	5,952,969		(5,952,969)
Adjustment to move Police Pension Fund to Special Revenue		40,861	(40,861)
Adjustment to move Fire Pension Fund to Special Revenue		101,994	(\$101,994)
Restated Balance 1/01/2004	<u>\$8,988,055</u>	<u>\$1,250,706</u>	

4. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2004 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$5,458,663	\$5,706,634	\$247,971
Special Revenue	682,200	758,226	76,026
Capital Projects	5,437,400	5,443,516	6,116
Total	<u>\$11,578,263</u>	<u>\$11,908,376</u>	<u>\$330,113</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$8,585,600	\$8,300,886	\$284,714
Special Revenue	847,920	764,083	83,837
Capital Projects	8,085,080	7,805,188	279,892
Total	<u>\$17,518,600</u>	<u>\$16,870,157</u>	<u>\$648,443</u>

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2004
(Continued)**

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment is due December 31. The second half payment is due the following June 20.

Property owners assess tangible personal property tax. They must file a list of tangible property to the County by each April 30. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on the Village's behalf.

6. LOCAL INCOME TAX

The Village levies a municipal income tax of 1.5 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village. A reduced credit is offered for taxes paid to other municipalities.

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

7. DEBT

Debt outstanding at December 31, 2004, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan-2004	\$153,290	0.00%
Ohio Public Works Commission Loan-2002	92,418	0.00%
General Obligation Notes	4,000,000	2.94%
Total	<u>\$4,245,708</u>	

The 2004 Ohio Public Works Commission (OPWC) loan is related to a road repair/replacement project involving several roads in a joint project with the City of Toledo. The total amount of the loan is \$161,358, with \$60,500 of the loan relating to the City of Toledo's portion of the project. The loan will be repaid in semi-annual installments of \$8,068, principal only payments, over 10 years. The City of Toledo will be billed \$3,025 semi-annually for their portion of the loan. The 2002 OPWC loan is related to a resurfacing of several roads in a joint project with Lucas County. The Village's portion of the 2002 OPWC loan is \$123,220. The loan will be repaid in semi-annual installments of \$6,161, principal only payments, over 10 years. The Village has issued General Obligation Bond Anticipation Notes for the purpose of bridge and roadway repair/replacement, sidewalk and curb repair/replacement, and constructing and installing street lights and related facilities. The Village will make interest-only payments on the notes until they are retired in September 2007, at which time the principal will be paid in full. The notes are collateralized by the full faith and credit of the Village.

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2004
(Continued)**

7. DEBT – (Continued)

Amortization of the above debt, including interest, follows:

Year ending December 31:	2004 OPWC Loan	2002 OPWC Loan	General Obligation Notes- 2002
2005	\$16,136	\$12,322	\$110,000
2006	16,136	12,322	110,000
2007	16,136	12,322	4,110,000
2008	16,136	12,322	
2009	16,135	12,322	
2010-2014	72,611	30,808	
Total	<u>\$153,290</u>	<u>\$92,418</u>	<u>\$4,330,000</u>

8. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2004, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant and 24 percent of fire participant wages. OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2004.

9. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

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



**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***

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

To the Honorable Mayor and Village Council:

We have audited the financial statement of the Village of Ottawa Hills, Lucas County, (the Village) as of and for the year ended December 31, 2004, and have issued our report thereon dated August 7, 2006, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statement 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 statement 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.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statement is 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*.

Village of Ottawa Hills
Lucas County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the audit committee, management and Village Council. 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

August 7, 2006



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

VILLAGE OF OTTAWA HILLS

LUCAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 29, 2006**