

Mary Taylor, CPA
Auditor of State

**FINANCIAL CONDITION
OTTAWA COUNTY**

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Mary Taylor, CPA

Auditor of State

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, 2007, 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, 2007, 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 November 25, 2008, 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 also 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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

November 25, 2008

**FINANCIAL CONDITION
OTTAWA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED**

The Management's Discussion and Analysis of Ottawa County's (the "County") financial performance provides an overall review of the County's financial activities for the year ended December 31, 2007. The intent of the Management's Discussion and Analysis is to look at the County's financial performance as a whole; readers should also review the Basic Financial Statements and the Notes to the Basic Financial Statements to enhance their understanding of the County's financial performance.

Financial Highlights

Key financial highlights for 2007 are as follows:

- The total net assets of the County increased \$4,855,527. Net assets of governmental activities increased \$2,909,522, which represents a 4.88% increase over fiscal year 2006 as restated in Note 3.A. Net assets of business-type activities increased \$1,946,005 or 1.83% from fiscal year 2006.
- General revenues accounted for \$20,381,152 or 49% of total governmental activities revenue. Program specific revenues accounted for \$21,212,818 or 51% of total governmental activities revenue.
- The County had \$37,975,672 in expenses related to governmental activities; \$21,212,818 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$20,381,152 were adequate to provide for these programs.
- The General fund, the County's largest major governmental fund, had revenues and other financing sources of \$15,654,782 in 2007, a decrease of \$174,704 or 1.10% from 2006 revenues. The General fund had expenditures and other financing uses of \$15,930,409 in 2007, an increase of \$989,209 or 6.62% from 2006. The net changes in revenues and expenditures contributed to the General fund balance decrease of \$275,627 from 2006 to 2007.
- The Road and Bridge fund, a major governmental fund, had revenues and other financing sources of \$5,489,563 in 2007. The Road and Bridge fund had expenditures of \$5,325,393 in 2007. The Road and Bridge fund balance increased \$164,170 from 2006 to 2007.
- The Job and Family Services fund, a major governmental fund, had revenues and other financing sources of \$4,380,789 in 2007. The Job and Family Services fund had expenditures and other financing uses of \$4,080,266 in 2006. The Job and Family services fund balance increased \$300,523 from 2006 to 2007.
- The Ottawa County Board of Mental Retardation and Developmentally Disabled (MRDD) fund, a major governmental fund, had revenues of \$7,291,152 in 2007. The MRDD fund had expenditures and other financing uses of \$7,407,809 in 2007. The MRDD fund balance decreased \$116,657 from 2006 to 2007.
- The Ottawa County Senior Programs fund, a major governmental fund, had revenues of \$741,833 in 2007. The County Senior Programs fund had expenditures of \$765,549 in 2007. The County Senior Programs fund balance decreased \$23,716 from 2006 to 2007.
- The Special Assessment Bonds fund, a major governmental fund, had revenues and other financing sources of \$2,215,117 in 2007. The Special Assessment Bonds fund had expenditures of \$2,212,817 in 2007. The Special Assessment Bonds fund balance increased \$2,300 from 2006 to 2007.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
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- Net assets for the business-type activities, which are made up of the Riverview Nursing Home fund, the Danbury Sewer Operations fund, the Regional Water Operations fund, the Catawba Portage Sewer fund, the Portage Catawba Water fund, the Sewer District #13 Reserve fund, the Erie Township Sewer Planning fund, the Plasterbed Road Water and Sewer Service fund, the Salem Reserve fund, the Put-In-Bay Water/Wastewater Plan fund, the Project C Water Tower South Bass Island Park fund, the Phase II Erie Township Sewer fund, and the South Bass Island - Future Water and Sewer Extensions fund, increased in 2007 by \$1,946,005. This increase in net assets was mainly due to charges for services, intergovernmental grants, property taxes, and transfers-in that were utilized to cover operating expenses.
- In the General fund, actual revenues and other financing sources were \$2,357,356 higher than the amounts in the final budget and actual expenditures and other financing uses were \$1,944,964 higher than the final budget amounts.

Using these Basic Financial Statements (BFS)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the County as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole County, presenting both an aggregate view of the County's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the County's most significant funds with all other non-major funds presented in total in one column. In the case of the County, there are six major governmental funds. The General fund is the largest major fund.

Reporting the County as a Whole

Statement of Net Assets and the Statement of Activities

The Statement of Net Assets and the Statement of Activities answer the question, "How did we do financially during 2007?" These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the County's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the County as a whole, the financial position of the County has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the County's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, and other factors.

In the Statement of Net Assets and the Statement of Activities, the County is divided into two distinct kinds of activities:

**FINANCIAL CONDITION
OTTAWA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
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(Continued)**

Governmental Activities - Most of the County's programs and services are reported here, including general government, public safety, public works, health, and human services. 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 goods or services basis to recover all or a significant portion of the expenses of the goods or services provided.

Reporting the County's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. Fund financial reports provide detailed information about the County's major funds. The County uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the County's most significant funds.

The County's major governmental funds are the General fund, Road and Bridge fund, Job and Family Services fund, County Board of MRDD fund, County Senior Programs fund, and Special Assessment Bonds fund. The County's major enterprise funds are the Riverview Nursing Home fund, Danbury Sewer Operations fund, Regional Water Operations fund, and Catawba Portage Sewer fund.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

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 in the government-wide financial statements. By doing so, the readers may better understand the long-term impact of the government's near-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 facilitate this comparison between governmental funds and governmental activities.

The County maintains a multitude of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances for the major funds, which were identified earlier. Data from the other governmental funds are combined into a single, aggregated presentation.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
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(Continued)**

Proprietary Funds

The County maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for the Riverview Nursing Home, Danbury Sewer Operations, Regional Water Operations, Catawba Portage Sewer, Portage Catawba Water, Sewer District #13, Erie Township Sewer Planning, Plasterbed Road Water and Sewer Service, Salem Reserve, Put-In-Bay Water/Wastewater Plan, Project C Water Tower South Bass Island Park, Phase II Erie Township Sewer, and South Bass Island - Future Water and Sewer Extensions. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses an internal service fund to account for a health insurance program for employees of the County.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Agency funds are the County's only fiduciary fund type.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-Wide Financial Analysis

The Statement of Net Assets provides the perspective of the County as a whole. Net assets have been restated as described in Note 3.A. The table below provides a summary of the County's net assets for 2007 and 2006.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED
(Continued)**

	Governmental Activities <u>2007</u>	Business-type Activities <u>2007</u>	Governmental Activities <u>2006</u>	Business-type Activities <u>2006</u>	2007 Total	2006 Total
<u>Assets</u>						
Current and other assets	\$ 59,516,517	\$ 20,699,363	\$ 60,795,337	\$ 22,024,734	\$ 80,215,880	\$ 82,820,071
Capital assets	<u>41,223,755</u>	<u>143,289,156</u>	<u>36,906,948</u>	<u>143,196,774</u>	<u>184,512,911</u>	<u>180,103,722</u>
Total assets	<u>100,740,272</u>	<u>163,988,519</u>	<u>97,702,285</u>	<u>165,221,508</u>	<u>264,728,791</u>	<u>262,923,793</u>
<u>Liabilities</u>						
Long-term liabilities outstanding	26,988,612	52,894,266	28,428,855	54,764,269	79,882,878	83,193,124
Other liabilities	<u>11,238,324</u>	<u>2,874,174</u>	<u>9,669,616</u>	<u>4,183,165</u>	<u>14,112,498</u>	<u>13,852,781</u>
Total liabilities	<u>38,226,936</u>	<u>55,768,440</u>	<u>38,098,471</u>	<u>58,947,434</u>	<u>93,995,376</u>	<u>97,045,905</u>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	33,722,585	90,545,224	29,000,755	87,379,469	124,267,809	116,380,224
Restricted	23,537,709	4,835,608	24,656,683	4,239,981	28,373,317	28,896,664
Unrestricted	<u>5,253,042</u>	<u>12,839,247</u>	<u>5,946,376</u>	<u>14,654,624</u>	<u>18,092,289</u>	<u>20,601,000</u>
Total net assets	<u>\$ 62,513,336</u>	<u>\$ 108,220,079</u>	<u>\$ 59,603,814</u>	<u>\$ 106,274,074</u>	<u>\$ 170,733,415</u>	<u>\$ 165,877,888</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2007, the County's assets exceeded liabilities by \$170,733,415. This amounts to \$62,513,336 in governmental activities and \$108,220,079 in business-type activities. The County's finances remained strong during 2007, despite the decline in the economy.

Capital assets reported on the government-wide statements represent the largest portion of the County's assets. At year-end, capital assets represented 69.70% of total governmental and business-type assets. Capital assets include land, buildings and improvements, equipment, vehicles, construction in progress and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2007, were \$124,267,809. These capital assets are used to provide services to citizens and are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

As of December 31, 2007, the County is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

A portion of the County's net assets, \$28,373,317 or 16.62%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of governmental activities unrestricted net assets of \$5,253,042, and the remaining balance of business-type activities unrestricted net assets of \$12,839,247, may be used to meet the government's ongoing obligations to citizens and creditors.

The table below shows the changes in net assets for fiscal year 2007 and 2006.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED
(Continued)**

	Change in Net Assets					
	Governmental	Business-type	Governmental	Business-type	2007	2006
	Activities 2007	Activities 2007	Activities 2006	Activities 2006	Total	Total
Revenues						
Program revenues:						
Charges for services and sales	\$ 7,954,235	\$ 18,551,411	\$ 10,194,933	\$ 19,511,735	\$ 26,505,646	\$ 29,706,668
Operating grants and contributions	12,841,527	1,487,432	14,788,647	3,174,135	14,328,959	17,962,782
Capital grants and contributions	417,056	1,744,316	1,598,506	3,198,333	2,161,372	4,796,839
Total program revenues	<u>21,212,818</u>	<u>21,783,159</u>	<u>26,582,086</u>	<u>25,884,203</u>	<u>42,995,977</u>	<u>52,466,289</u>
General revenues:						
Property and other local taxes	9,034,252	637,004	8,395,748	613,048	9,671,256	9,008,796
Sales tax	4,830,607		5,453,341		4,830,607	5,453,341
Unrestricted grants	1,414,688		1,524,549		1,414,688	1,524,549
Investment earnings	2,582,946		2,151,197	21,824	2,582,946	2,173,021
Other	2,518,659	181,696	2,344,636	641,650	2,700,355	2,986,286
Total general revenues	<u>20,381,152</u>	<u>818,700</u>	<u>19,869,471</u>	<u>1,276,522</u>	<u>21,199,852</u>	<u>21,145,993</u>
Total revenues	<u>41,593,970</u>	<u>22,601,859</u>	<u>46,451,557</u>	<u>27,160,725</u>	<u>64,195,829</u>	<u>73,612,282</u>

**FINANCIAL CONDITION
OTTAWA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED
(Continued)**

	Change in Net Assets				2007 Total	2006 Total
	Governmental	Business-type	Governmental	Business-type		
	Activities 2007	Activities 2007	Activities 2006	Activities 2006		
Expenses						
Program Expenses:						
General government						
Legislative and executive	5,105,048		4,667,284		5,105,048	4,667,284
Judicial	2,944,641		2,770,473		2,944,641	2,770,473
Public safety	6,410,862		6,120,600		6,410,862	6,120,600
Public works	6,877,302		6,132,389		6,877,302	6,132,389
Health	162,673		184,152		162,673	184,152
Human services	14,890,263		15,246,285		14,890,263	15,246,285
Conservation and recreation	40,310		48,309		40,310	48,309
Economic development and assistance	4,765		4,700		4,765	4,700
Other	434,169		381,953		434,169	381,953
Interest and fiscal charges	1,105,639		1,088,491		1,105,639	1,088,491
Riverview nursing home		11,033,153		10,402,303	11,033,153	10,402,303
Danbury sewer		2,332,785		2,641,284	2,332,785	2,641,284
Regional water		4,503,040		4,214,862	4,503,040	4,214,862
Catawba portage sewer		2,900,527		3,009,579	2,900,527	3,009,579
Other enterprise	-	595,125	-	663,646	595,125	663,646
Total expenses	<u>37,975,672</u>	<u>21,364,630</u>	<u>36,644,636</u>	<u>20,931,674</u>	<u>59,340,302</u>	<u>57,576,310</u>
Transfers	<u>(708,776)</u>	<u>708,776</u>	<u>969,699</u>	<u>(969,699)</u>	<u>-</u>	<u>-</u>
Change in net assets	2,909,522	1,946,005	10,776,620	5,259,352	4,855,527	16,035,972
Net assets at beginning of year (restated)	<u>59,603,814</u>	<u>106,274,074</u>	<u>48,827,194</u>	<u>101,014,722</u>	<u>165,877,888</u>	<u>149,841,916</u>
Net assets at end of year	<u>\$ 62,513,336</u>	<u>\$ 108,220,079</u>	<u>\$ 59,603,814</u>	<u>\$ 106,274,074</u>	<u>\$ 170,733,415</u>	<u>\$ 165,877,888</u>

Governmental Activities

Governmental net assets increased by \$2,909,522 in 2007 over 2006. This increase, which is not significant, is due to decreased revenues remaining higher than increased expenses in 2007, increased capital assets and increased notes receivable.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
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(Continued)**

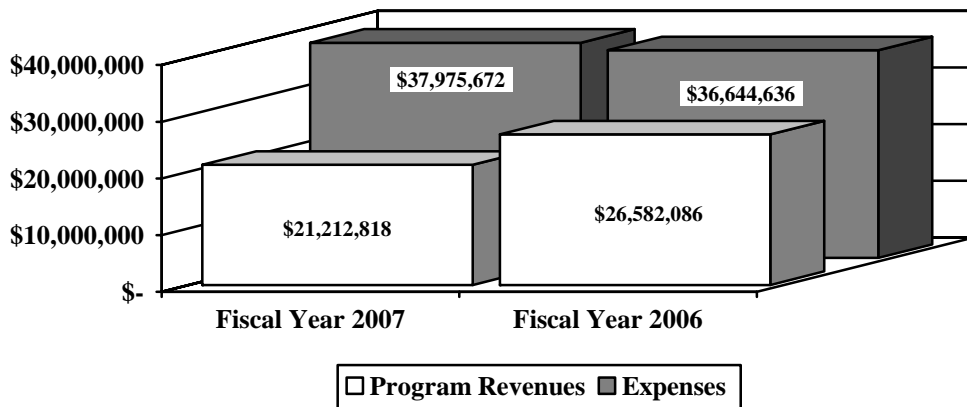
Human services, which supports the operations of the County Home, County Board of MRDD, Job and Family Services (Public Assistance), Veteran Services, and the Children Services Board, accounts for \$14,890,263 of expenses, or 39.21% of total governmental expenses of the County. These expenses were funded by \$2,406,761 in charges to users of services in 2007. General government expenses which includes legislative and executive and judicial programs, accounted for \$8,049,689 or 21.20% of total governmental expenses. General government expenses were covered by \$2,475,395 of direct charges to users in 2007.

The state and federal government contributed to the County revenues of \$12,841,527 in operating grants and contributions and \$417,056 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$8,115,776 or 63.20% subsidized human services programs.

General revenues totaled \$20,381,152, and amounted to 49% of total revenues. These revenues primarily consist of property and sales tax revenue of \$13,864,859 or 68.03% of total general revenues in 2007. The other primary source of general revenues is grants and entitlements not restricted to specific programs, with local government and local government revenue assistance making up \$1,414,688, or 6.94% of the total.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2007 and 2006. That is, it identifies the cost of these services supported by general revenues (such as tax revenue and unrestricted state grants and entitlements). As can be seen in the graph and table below, the County is reliant upon general revenues to finance operations as program revenues are not sufficient to cover total expenses.

Governmental Activities – Program Revenues vs. Total Expenses



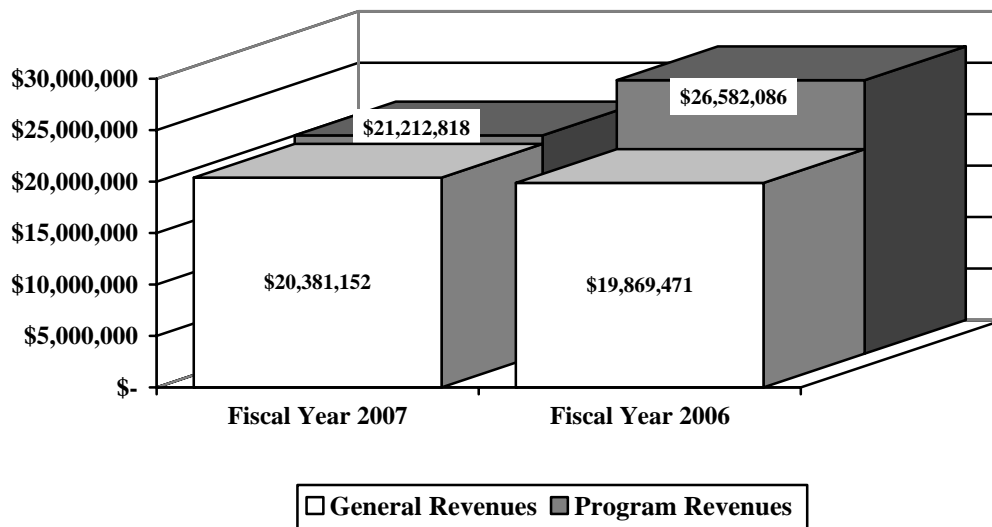
**FINANCIAL CONDITION
OTTAWA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED
(Continued)**

	Governmental Activities			
	Total Cost of Services 2007	Net Cost of Services 2007	Total Cost of Services 2006	Net Cost of Services 2006
Program Expenses:				
General government				
Legislative and executive	\$ 5,105,048	\$ 3,221,967	\$ 4,667,284	\$ 2,827,199
Judicial	2,944,641	2,019,741	2,770,473	1,682,186
Public safety	6,410,862	4,790,709	6,120,600	3,884,137
Public works	6,877,302	1,596,558	6,132,389	35,179
Health	162,673	2,438	184,152	25,855
Human services	14,890,263	4,182,867	15,246,285	3,566,213
Conservation and recreation	40,310	40,269	48,309	47,559
Economic development and assistance	4,765	2,136	4,700	2,005
Other	434,169	355,804	381,953	281,920
Interest and fiscal charges	<u>1,105,639</u>	<u>550,365</u>	<u>1,088,491</u>	<u>(2,289,703)</u>
Total	<u>\$ 37,975,672</u>	<u>\$ 16,762,854</u>	<u>\$ 36,644,636</u>	<u>\$ 10,062,550</u>

The dependence upon general revenues for governmental activities is apparent, with 44.14% of expenses supported through taxes and other general revenues during 2007. The graph below illustrates the County's reliance upon general revenues.

Governmental Activities – General and Program Revenues



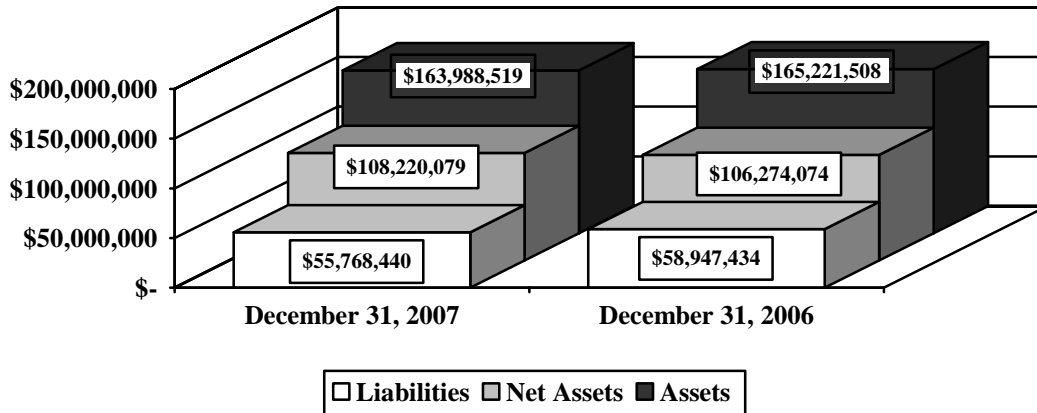
**FINANCIAL CONDITION
OTTAWA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
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(Continued)**

Business-Type Activities

The Riverview Nursing Home, Danbury Sewer Operations, Regional Water Operations, Catawba Portage Sewer, Portage Catawba Water, Sewer District #13 Reserve, Erie Township Sewer Planning, Plasterbed Road Water and Sewer Service, Salem Reserve, Put-In-Bay Water/Wastewater Plan, Project C Water Tower South Bass Island Park, Phase II Erie Township Sewer, and South Bass Island - Future Water and Sewer Extensions are the County's enterprise funds. These operations had program revenues of \$21,783,159, general revenues of \$818,700, and expenses of \$21,364,630 for fiscal year 2007. The net assets of the enterprise funds increased \$1,946,005 or 1.83% during 2007, which is primarily due to decreased revenues remaining higher than increased expenses. The following graph illustrates the assets, liabilities and net assets of the County's business-type activities at December 31, 2007 and 2006:

Net Assets in Business – Type Activities



Financial Analysis of the Government's Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the County's net resources available for spending at year-end.

The County's governmental funds reported a combined fund balance of \$21,277,068, which is \$506,195 under last year's total of \$21,783,263. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2007 for all major and non-major governmental funds.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED
(Continued)**

	<u>Fund Balance</u> <u>December 31, 2007</u>	<u>Fund Balance</u> <u>December 31, 2006</u>	<u>Increase</u> <u>Decrease</u>
Major Funds:			
General	\$ 4,019,328	\$ 4,294,955	\$ (275,627)
Road and Bridge	3,480,432	3,316,262	164,170
Job and Family Services	951,135	650,612	300,523
Board of MR/DD	4,975,612	5,092,269	(116,657)
Ottawa County Senior Programs	322,787	346,503	(23,716)
Special Assessment Bond	177,475	175,175	2,300
Other Nonmajor Governmental Funds	<u>7,350,299</u>	<u>7,907,487</u>	<u>(557,188)</u>
Total	<u>\$ 21,277,068</u>	<u>\$ 21,783,263</u>	<u>\$ (506,195)</u>

General Fund

The County's general fund balance decreased \$275,627, primarily due to transfers to other funds and small decrease in revenue along with a small increase in expenditures. The table that follows assists in illustrating the revenues of the general fund.

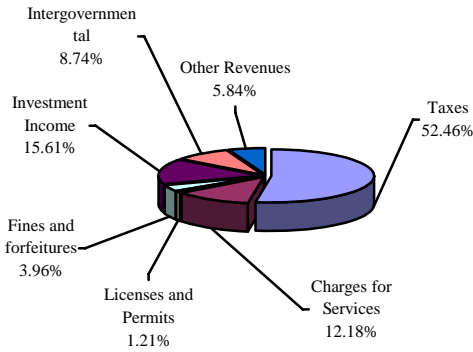
	<u>2007</u> <u>Amount</u>	<u>2006</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 8,082,015	\$ 8,361,809	(3.35) %
Charges for services	1,877,298	1,945,648	(3.51) %
Licenses and permits	186,238	148,040	25.80 %
Fines and forfeitures	609,643	493,276	23.59 %
Intergovernmental	1,347,141	1,477,203	(8.80) %
Investment income	2,406,045	2,097,376	14.72 %
Other	<u>900,241</u>	<u>1,019,303</u>	(11.68) %
Total	<u>\$ 15,408,621</u>	<u>\$ 15,542,655</u>	(0.86) %

Tax revenue represents 52.45% of all general fund revenue, which is a decrease of 1.35% over the prior year and can be attributed to a slight decrease in sales tax revenue. The increase in investment income is due to increasing interest rates throughout the year. The increase in licenses and permits revenue is due to the County's increased collections for licenses and permits. Fines and forfeitures increased by 0.79% to 3.96% of all general fund revenue. All other revenue remained comparable to 2006.

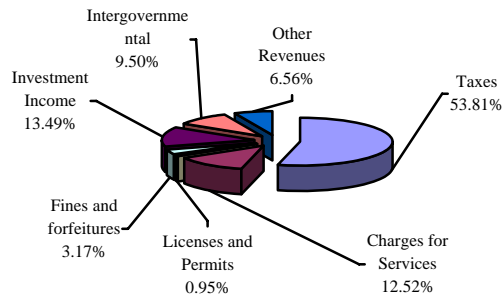
**FINANCIAL CONDITION
OTTAWA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED
(Continued)**

Revenues – Fiscal Year 2007



Revenues – Fiscal Year 2006

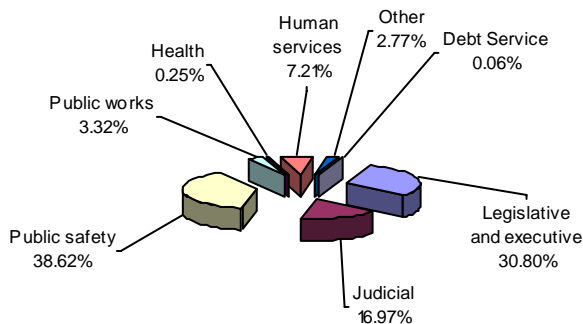


The table that follows assists in illustrating the expenditures of the general fund.

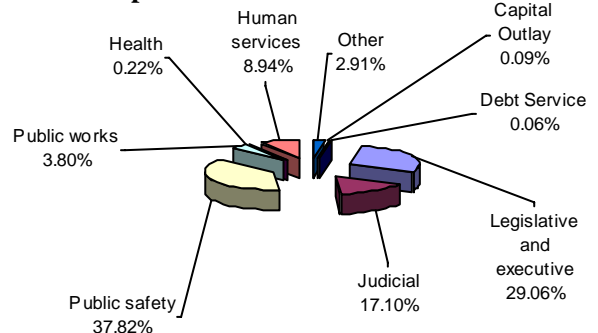
	<u>2007 Amount</u>	<u>2006 Amount</u>	<u>Percentage Change</u>
<u>Expenditures</u>			
General government			
Legislative and executive	\$ 4,284,479	\$ 3,929,819	9.02 %
Judicial	2,361,582	2,312,808	2.11 %
Public safety	5,373,150	5,114,448	5.06 %
Public works	461,385	514,176	(10.27) %
Health	35,322	29,819	18.45 %
Human services	1,003,105	1,209,627	(17.07) %
Other	384,990	393,429	(2.14) %
Capital outlay		12,240	(100.00) %
Debt service	8,988	8,295	8.35 %
Total	<u>\$ 13,913,001</u>	<u>\$ 13,524,661</u>	2.87 %

The most significant increases were in the areas of legislative and executive general government and public safety. All other expenditures remained comparable to 2006.

Expenditures - Fiscal Year 2007



Expenditures - Fiscal Year 2006



**FINANCIAL CONDITION
OTTAWA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED
(Continued)**

Road and Bridge Fund

The Road and Bridge fund, a major governmental fund, had revenues and other financing sources of \$5,489,563 in 2007. The Road and Bridge fund had expenditures of \$5,325,393 in 2007. The Road and Bridge fund balance increased \$164,170 from 2006 to 2007.

Job and Family Services Fund

The Job and Family Services fund, a major governmental fund, had revenues and other financing sources of \$4,380,789 in 2007. The Job and Family Services fund had expenditures and other financing uses of \$4,080,266 in 2007. The Job and Family Services fund balance increased \$300,523 from 2006 to 2007 due to transfers received from other funds.

County Board of Mental Retardation and Developmentally Disabled (MRDD) Fund

The County Board of Mental Retardation and Developmentally Disabled (MRDD) fund, a major governmental fund, had revenues of \$7,291,152 in 2007. The MRDD fund had expenditures and other financing uses of \$7,407,809 in 2007. The MRDD fund balance decreased \$116,657 from 2006 to 2007.

Ottawa County Senior Programs Fund

The County Senior Programs fund, a major governmental fund, had revenues of \$741,833 in 2007. The County Senior Programs fund had expenditures of \$765,549 in 2007. The County Senior Programs fund balance decreased \$23,716 from 2006 to 2007 due to an increase in expenditures for seniors.

Special Assessment Bonds Fund

The Special Assessment Bonds fund, a major governmental fund, had revenues and other financing uses of \$2,215,117 in 2007. The Special Assessment Bonds fund had expenditures of \$2,212,817 in 2007. The Special Assessment Bonds fund balance increased \$2,300 from 2006 to 2007.

Budgeting Highlights - General Fund

The County's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially the budget is the County's appropriations which are restricted by the amounts of anticipated revenues certified by the Budget Commission in accordance with the ORC. Therefore, the County's plans or desires cannot be totally reflected in the original budget. If budgeted revenues are adjusted due to actual activity then the appropriations can be adjusted accordingly.

Budgetary information is presented for the General fund, Road and Bridge fund, Job and Family Services fund, County Board of MRDD fund, and Ottawa County Senior Programs fund. In the General fund, there were no significant changes between the original and final budgeted revenues. Actual revenues and financing sources of \$17,545,143 exceeded final budgeted revenues by \$2,357,356. This increase is due to greater than anticipated receipts in advances in revenue. Another significant difference between the original and final budget expenditures was an increase of \$1,142,806 in expenditures. Another significant difference between the final budget and actual expenditures and financing uses was a \$1,944,964 increase in actual expenditures which was also due to greater than anticipated advances to other funds.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED
(Continued)**

Proprietary Funds

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

Capital Assets and Debt Administration

Capital Assets

The County's capital assets have been restated as described in Note 3.A. At the end of 2007, the County had \$184,512,911 (net of accumulated depreciation) invested in land, buildings and improvements, furniture and equipment, vehicles, construction in progress, sewer mains and infrastructure. Of this total, \$41,223,755 was reported in governmental activities and \$143,289,156 was reported in business-type activities. The following table shows fiscal 2007 balances compared to 2006:

**Capital Assets at December 31
(Net of Depreciation)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2007	2006	2007	2006	2007	2006
Land	\$ 1,176,777	\$ 1,176,777	\$ 4,489,565	\$ 4,489,565	\$ 5,666,342	\$ 5,666,342
Building and improvements	16,081,918	14,347,963	14,294,178	14,568,663	30,376,096	28,916,626
Improvements other than buildings	1,730,141	1,841,765	16,941,257	17,383,231	18,671,398	19,224,996
Furniture and equipment	2,057,548	2,275,586	15,350,009	16,123,912	17,407,557	18,399,498
Vehicles	1,851,276	1,670,016	175,461	223,087	2,026,737	1,893,103
Infrastructure	18,326,095	15,594,841			18,326,095	15,594,841
Sewer/water lines			90,230,136	84,076,974	90,230,136	84,076,974
Construction in progress	-	-	1,808,550	6,331,342	1,808,550	6,331,342
Total	\$ 41,223,755	\$ 36,906,948	\$ 143,289,156	\$ 143,196,774	\$ 184,512,911	\$ 180,103,722

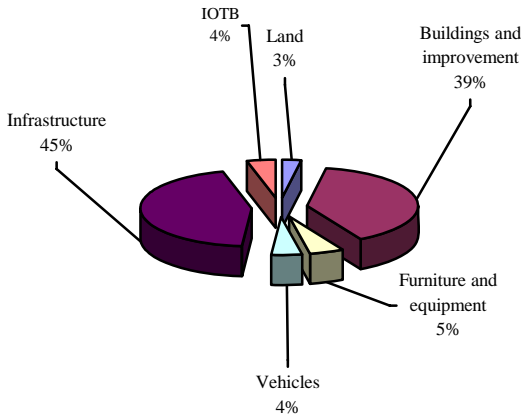
See Note 10 to the basic financial statements for detail on governmental activities and business-type activities capital assets.

**FINANCIAL CONDITION
OTTAWA COUNTY**

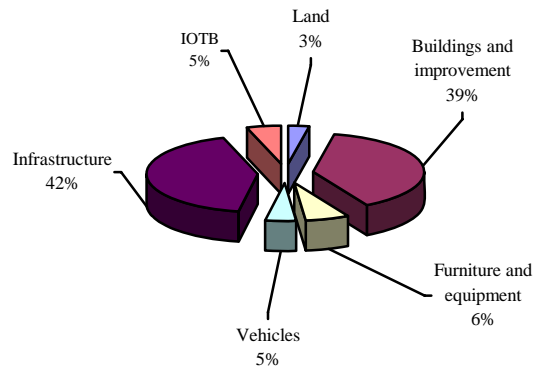
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED
(Continued)**

The following graphs show the breakdown of governmental capital assets by category for 2007 and 2006.

Capital Assets - Governmental Activities 2007



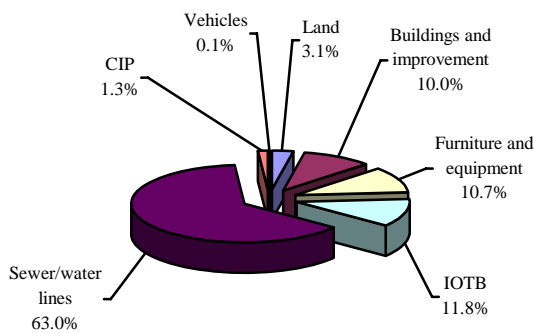
Capital Assets - Governmental Activities 2006



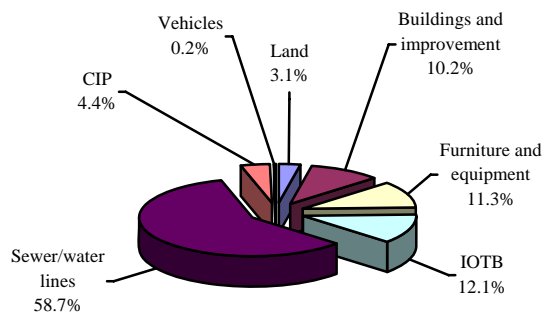
The County's largest governmental capital asset category is infrastructure, which includes roads, bridges and culverts. These items are immovable and of value only to the County, however, the annual cost of purchasing these items is quite significant. The net book value of the County's infrastructure (cost less accumulated depreciation) represents approximately 45% of the County's total governmental capital assets.

The following graphs show the breakdown of business-type capital assets by category for 2007 and 2006.

Capital Assets - Business-Type Activities 2007



Capital Assets - Business-Type Activities 2006



The County's largest business-type capital asset category is sewer and water lines. These items play a vital role in the income producing ability of the business-type activities. The net book value of the County's sewer and water lines (cost less accumulated depreciation) represents approximately 63.0% of the County's total business-type capital assets.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED
(Continued)**

Debt Administration

At December 31, 2007, the County had \$24,665,018 in general obligation bonds, \$44,467,997 in OWDA loans, \$3,480,200 in special assessment bonds, \$1,205,103 in Ohio water and sewer loans, \$2,338,289 in OEPA loans and OPWC loans of \$1,598,765 outstanding. Of this total, \$4,737,849 is due within one year and \$73,017,523 is due within greater than one year. The following table summarizes the bonds and loans outstanding.

	Outstanding Debt, at Year End			
	Governmental Activities 2007	Business-Type Activities 2007	Governmental Activities 2006	Business-Type Activities 2006
	<u>2007</u>	<u>2007</u>	<u>2006</u>	<u>2006</u>
Long-Term Obligations				
General obligation bonds:	\$ 8,777,496	\$ 15,887,522	\$ 9,272,316	\$ 16,988,912
OWDA loans	12,942,459	31,525,538	13,725,064	31,677,358
Special assessment bonds	3,088,200	392,000	3,786,100	793,000
Ohio water and sewer loans		1,205,103		1,207,119
OEPA loan		2,338,289		2,479,826
OPWC loans	<u>540,123</u>	<u>1,058,642</u>	<u>-</u>	<u>1,146,090</u>
Total	<u>\$ 25,348,278</u>	<u>\$ 52,407,094</u>	<u>\$ 26,783,480</u>	<u>\$ 54,292,305</u>

See Note 11 to the basic financial statements for detail on governmental activities and business-type activities long-term obligations.

Economic Factors and Next Year's Budgets and Rates

The County's current population as of the 2000 census is 40,985. The County's unemployment rate is currently 9.1%, compared to the 5.6% state average and the 4.9% national average.

These economic factors were considered in preparing the County's budget for fiscal year 2007. With the continuation of conservative budgeting practices, the County's financial position should remain strong in future years.

Contacting the County's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Honorable Jo Ellen Regal, Ottawa County Auditor, 315 Madison St., Room 202, Port Clinton, Ohio 43452.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**STATEMENT OF NET ASSETS
DECEMBER 31, 2007**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
Assets:				
Equity in pooled cash and cash equivalents	\$ 21,261,178	\$ 16,545,913	\$ 37,807,091	
Cash in segregated accounts	57,544		57,544	\$ 749,176
Cash with fiscal agents.		911,560	911,560	
Cash with escrow agents.		25,772	25,772	
Receivables (net of allowances for uncollectibles):				
Sales taxes	682,453		682,453	
Property taxes	9,191,796	648,883	9,840,679	
Other local taxes	31,441		31,441	
Accounts	335,716	1,306,946	1,642,662	299,656
Due from other governments.	5,256,339	917,967	6,174,306	
Special assessments	18,700,981	267,470	18,968,451	
Accrued interest	314,929		314,929	
Internal balances	963,493	(963,493)		
Prepayments	49,550	53,508	103,058	20,225
Materials and supplies inventory	358,023	656,675	1,014,698	3,458
Loans receivable	1,607,711		1,607,711	
Investment in joint ventures	565,529		565,529	
Unamortized bond issue costs	139,834	328,162	467,996	
Capital assets:				
Land and construction in progress	1,176,777	6,298,115	7,474,892	
Depreciable capital assets, net.	40,046,978	136,991,041	177,038,019	139,598
Total capital assets.	41,223,755	143,289,156	184,512,911	139,598
Total assets.	<u>100,740,272</u>	<u>163,988,519</u>	<u>264,728,791</u>	<u>1,212,113</u>
Liabilities:				
Accounts payable.	728,104	477,948	1,206,052	19,261
Contracts payable.	212,977	76,701	289,678	
Retainage payable		25,772	25,772	
Accrued wages and benefits	307,108	164,022	471,130	122,123
Due to other governments	751,193	275,151	1,026,344	356
Unearned revenue	8,361,425	675,518	9,036,943	6,119
Accrued interest payable.	300,913	514,062	814,975	
Claims payable	576,604		576,604	
Notes payable		665,000	665,000	
Long-term liabilities:				
Due within one year.	3,124,193	2,991,911	6,116,104	7,816
Due in more than one year	23,864,419	49,902,355	73,766,774	149,225
Total liabilities	<u>38,226,936</u>	<u>55,768,440</u>	<u>93,995,376</u>	<u>304,900</u>
Net assets:				
Invested in capital assets, net of related debt	33,722,585	90,545,224	124,267,809	118,876
Restricted for:				
Capital projects	2,693,537		2,693,537	
Debt service.	4,096,168		4,096,168	
Revenue bond repairs and replacements		2,620,022	2,620,022	
Revenue bond current debt service		1,520,485	1,520,485	
Revenue bond future debt service.		695,101	695,101	
Human service programs	6,354,219		6,354,219	
Public works projects.	5,531,878		5,531,878	
Public safety programs	1,234,687		1,234,687	
Other purposes	3,627,220		3,627,220	
Unrestricted.	5,253,042	12,839,247	18,092,289	788,337
Total net assets	<u>\$ 62,513,336</u>	<u>\$ 108,220,079</u>	<u>\$ 170,733,415</u>	<u>\$ 907,213</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION
OTTAWA COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007**

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
General government:				
Legislative and executive	\$ 5,105,048	\$ 1,813,417	\$ 15,489	\$ 54,175
Judicial	2,944,641	661,978	232,177	30,745
Public safety	6,410,862	1,140,508	409,800	69,845
Public works	6,877,302	1,141,063	4,068,285	71,396
Health	162,673	158,552		1,683
Human services	14,890,263	2,406,761	8,115,776	184,859
Conservation and recreation	40,310	1		40
Economic development and assistance	4,765	2,600		29
Other	434,169	74,081		4,284
Interest and fiscal charges	1,105,639	555,274		
Total governmental activities	<u>37,975,672</u>	<u>7,954,235</u>	<u>12,841,527</u>	<u>417,056</u>
Business-Type Activities:				
Riverview Nursing Home	11,033,153	9,153,705	65,278	
Danbury Sewer	2,332,785	2,328,387	17,635	147,345
Regional Water	4,503,040	4,841,424	1,555	160,137
Catawaba Portage Sewer.	2,900,527	2,215,155	4,768	650,661
Other enterprise	595,125	12,740	1,398,196	786,173
Total business-type activities	<u>21,364,630</u>	<u>18,551,411</u>	<u>1,487,432</u>	<u>1,744,316</u>
Total primary government.	<u>\$ 59,340,302</u>	<u>\$ 26,505,646</u>	<u>\$ 14,328,959</u>	<u>\$ 2,161,372</u>
Component Unit:				
Riverview Industries, Inc.	<u>\$ 2,828,549</u>	<u>\$ 3,028,974</u>		

General Revenues:

Property taxes levied for:

General fund	
Human services - County Board of MRDD.	
Human services - Ottawa County Senior Programs.	
Nursing home.	
Debt service.	
Sales taxes.	
Other local taxes	
Grants and entitlements not restricted to specific programs.	
Investment earnings.	
Miscellaneous.	

Total general revenues

Transfers

Change in net assets

Net assets at beginning of year (restated).

Net assets at end of year.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Unit
\$ (3,221,967)		\$ (3,221,967)	
(2,019,741)		(2,019,741)	
(4,790,709)		(4,790,709)	
(1,596,558)		(1,596,558)	
(2,438)		(2,438)	
(4,182,867)		(4,182,867)	
(40,269)		(40,269)	
(2,136)		(2,136)	
(355,804)		(355,804)	
(550,365)		(550,365)	
<u>(16,762,854)</u>		<u>(16,762,854)</u>	
	\$ (1,814,170)	(1,814,170)	
	160,582	160,582	
	500,076	500,076	
	(29,943)	(29,943)	
	<u>1,601,984</u>	<u>1,601,984</u>	
	<u>418,529</u>	<u>418,529</u>	
<u>(16,762,854)</u>	<u>418,529</u>	<u>(16,344,325)</u>	
			\$ 200,425
3,324,216		3,324,216	
4,559,841		4,559,841	
422,044		422,044	
	637,004	637,004	
274,011		274,011	
4,830,607		4,830,607	
454,140		454,140	
1,414,688		1,414,688	
2,582,946		2,582,946	22,531
<u>2,518,659</u>	<u>181,696</u>	<u>2,700,355</u>	
<u>20,381,152</u>	<u>818,700</u>	<u>21,199,852</u>	<u>22,531</u>
<u>(708,776)</u>	<u>708,776</u>		
2,909,522	1,946,005	4,855,527	222,956
<u>59,603,814</u>	<u>106,274,074</u>	<u>165,877,888</u>	<u>684,257</u>
<u>\$ 62,513,336</u>	<u>\$ 108,220,079</u>	<u>\$ 170,733,415</u>	<u>\$ 907,213</u>

**FINANCIAL CONDITION
OTTAWA COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2007**

	General	Road and Bridge	Job and Family Services	Mental Retardation and Developmental Disabilities
Assets:				
Equity in pooled cash and cash equivalents	\$ 897,859	\$ 3,065,556	\$ 1,090,764	\$ 5,130,213
Cash in segregated accounts.	44,129			10,537
Receivables (net of allowance for uncollectibles):				
Sales taxes	682,453			
Property taxes	3,832,869			4,659,723
Other local taxes		31,441		
Accounts	76,270	26,938	3,987	97,860
Accrued interest	314,929			
Special assessments.				
Interfund loans	2,175,308			
Due from other funds	148,035	8,474		
Due from other governments	706,992	1,852,117	487,474	218,865
Prepayments.	29,482	7,453	2,147	4,133
Materials and supplies inventory	115,281	230,925	8,304	407
Loans receivable	416,600			
Restricted Assets:				
Equity in pooled cash and cash equivalents	80,205			
Total assets	\$ 9,520,412	\$ 5,222,904	\$ 1,592,676	\$ 10,121,738
Liabilities:				
Accounts payable	\$ 143,670	\$ 91,856	\$ 74,335	\$ 88,652
Contracts payable				
Accrued wages and benefits.	167,365	28,564	28,273	34,208
Compensated absences payable.	9,552	22,183	2,269	
Interfund loans payable				
Due to other funds	19,097		43,092	123,746
Due to other governments	189,601	43,645	425,320	35,029
Unearned revenue.	3,485,000			4,240,500
Deferred revenue	1,486,799	1,556,224	68,252	623,991
Total liabilities	5,501,084	1,742,472	641,541	5,146,126
Fund Balances:				
Reserved for encumbrances.	246,808	1,218,752	70,348	218,239
Reserved for unclaimed monies.	80,205			
Reserved for loans	416,600			
Unreserved, undesignated (deficit), reported in:				
General fund.	3,275,715			
Special revenue funds		2,261,680	880,787	4,757,373
Debt service funds.				
Capital projects funds				
Total fund balances	4,019,328	3,480,432	951,135	4,975,612
Total liabilities and fund balances.	\$ 9,520,412	\$ 5,222,904	\$ 1,592,676	\$ 10,121,738

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Ottawa County Senior Programs	Special Assessment Bonds	Other Governmental Funds	Total Governmental Funds
\$ 393,118	\$ 178,013	\$ 7,391,388 2,878	\$ 18,146,911 57,544
			682,453
443,758		255,446	9,191,796
			31,441
74		130,129	335,258
			314,929
	18,624,543	76,438	18,700,981
			2,175,308
		99,918	256,427
34,638		1,956,253	5,256,339
445		5,890	49,550
348		2,758	358,023
		1,191,111	1,607,711
			80,205
<u>\$ 872,381</u>	<u>\$ 18,802,556</u>	<u>\$ 11,112,209</u>	<u>\$ 57,244,876</u>
\$ 6,766		\$ 322,825	\$ 728,104
		212,977	212,977
2,957		45,741	307,108
			34,004
216	\$ 538	1,441,343	1,442,097
70,226		16,907	273,068
2,743		54,855	751,193
403,600		232,325	8,361,425
63,086	18,624,543	1,434,937	23,857,832
<u>549,594</u>	<u>18,625,081</u>	<u>3,761,910</u>	<u>35,967,808</u>
81,381		856,012	2,691,540
			80,205
		1,191,111	1,607,711
			3,275,715
241,406		3,336,799	11,478,045
	177,475	1,579,766	1,757,241
		386,611	386,611
<u>322,787</u>	<u>177,475</u>	<u>7,350,299</u>	<u>21,277,068</u>
<u>\$ 872,381</u>	<u>\$ 18,802,556</u>	<u>\$ 11,112,209</u>	<u>\$ 57,244,876</u>

**FINANCIAL CONDITION
OTTAWA COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2007**

Total governmental fund balances		\$	21,277,068
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			41,223,755
The investment in joint venture is not a financial resource and, therefore, is not reported in the funds.			565,529
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.			
Property taxes receivable	\$	826,885	
Sales tax receivable		304,619	
Special assessments receivable		18,700,981	
Intergovernmental receivables		3,794,625	
Accrued interest receivable		<u>230,722</u>	
Total			23,857,832
The 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 (including an internal balance of \$246,923) are included in governmental activities in the statement of net assets.			2,704,839
Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in the funds.			139,834
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		8,777,496	
Special assessment bonds		3,088,200	
OWDA loans		12,942,459	
OPWC loans		540,123	
Capital lease payable		31,751	
Accrued interest payable		300,913	
Compensated absences		<u>1,574,579</u>	
Total			<u>(27,255,521)</u>
Net assets of governmental activities		\$	<u>62,513,336</u>

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 FISCAL YEAR ENDED DECEMBER 31, 2007

	<u>General</u>	<u>Road and Bridge</u>	<u>Job and Family Services</u>	<u>Mental Retardation and Developmental Disabilities</u>
Revenues:				
Property taxes	\$ 3,258,396			\$ 4,493,962
Sales taxes	4,823,619			
Other local taxes		\$ 454,140		32,696
Charges for services	1,877,298	1,022,754		978,586
Licenses and permits	186,238			
Fines and forfeitures	609,643	28,252		
Intergovernmental	1,347,141	3,813,132	\$ 3,698,783	1,764,540
Special assessments				
Investment income	2,406,045			
Other	900,241	15,378	65,888	21,368
Total revenues	<u>15,408,621</u>	<u>5,333,656</u>	<u>3,764,671</u>	<u>7,291,152</u>
Expenditures:				
Current:				
General government:				
Legislative and executive	4,284,479			
Judicial	2,361,582			
Public safety	5,373,150			
Public works	461,385	5,325,393		
Health	35,322			
Human services	1,003,105		4,020,470	6,998,644
Conservation and recreation				
Economic development and assistance				
Other	384,990			
Capital outlay				
Debt service:				
Principal retirement	7,045			9,299
Interest and fiscal charges	1,943			361
Total expenditures	<u>13,913,001</u>	<u>5,325,393</u>	<u>4,020,470</u>	<u>7,008,304</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,495,620</u>	<u>8,263</u>	<u>(255,799)</u>	<u>282,848</u>
Other financing sources (uses):				
Proceeds of notes issued				
Transfers in	246,161	155,907	616,118	
Transfers out	(2,017,408)		(59,796)	(399,505)
Total other financing sources (uses)	<u>(1,771,247)</u>	<u>155,907</u>	<u>556,322</u>	<u>(399,505)</u>
Net change in fund balances	(275,627)	164,170	300,523	(116,657)
Fund balances at beginning of year (restated)	<u>4,294,955</u>	<u>3,316,262</u>	<u>650,612</u>	<u>5,092,269</u>
Fund balances at end of year	<u>\$ 4,019,328</u>	<u>\$ 3,480,432</u>	<u>\$ 951,135</u>	<u>\$ 4,975,612</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Ottawa County Senior Programs	Special Assessment Bonds	Other Governmental Funds	Total Governmental Funds
\$ 412,852		\$ 269,534	\$ 8,434,744
4,129		8,156	4,831,775
		2,523,492	490,965
		136,266	6,402,130
		29,974	322,504
120,089		4,981,719	667,869
	\$ 2,213,310	48,587	15,725,404
			2,261,897
			2,406,045
204,763		1,311,021	2,518,659
741,833	2,213,310	9,308,749	44,061,992
		649,749	4,934,228
		438,612	2,800,194
		988,317	6,361,467
		415,888	6,202,666
		117,992	153,314
765,549		4,049,045	16,836,813
		3,632	3,632
		2,599	2,599
		5,275	390,265
		3,438,705	3,438,705
	1,480,505	496,000	1,992,849
	732,312	381,999	1,116,615
765,549	2,212,817	10,987,813	44,233,347
(23,716)	493	(1,679,064)	(171,355)
		540,123	540,123
	1,807	1,466,778	2,486,771
		(885,025)	(3,361,734)
	1,807	1,121,876	(334,840)
(23,716)	2,300	(557,188)	(506,195)
346,503	175,175	7,907,487	21,783,263
\$ 322,787	\$ 177,475	\$ 7,350,299	\$ 21,277,068

**FINANCIAL CONDITION
OTTAWA COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007**

Net change in fund balances - total governmental funds	\$	(506,195)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.		
Capital outlays	6,042,778	
Depreciation expense	<u>(1,706,242)</u>	4,336,536
 Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		
		(19,729)
 The increase in investment in joint venture on the statement of activities did not require the use of current financial resources and, therefore, is not reported as a revenue in the governmental funds.		
		280,112
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
		(2,468,022)
 Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(12,125)
 Proceeds of notes issued transactions provide current financial resources to governmental funds, but these obligations increase liabilities on the statement of net assets.		
		(540,123)
 Repayment of bond, loan, note and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
		1,992,849
 In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in less interest being reported on the statement of activities:		
Decrease in accrued interest payable	19,811	
Amortization of accounting losses	(13,211)	
Amortization of bond premiums	12,031	
Amortization of bond issue costs	<u>(7,655)</u>	10,976
 The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund (including internal balance activity of \$342,055) is allocated among the governmental activities.		
		<u>(164,757)</u>
Change in net assets of governmental activities.	\$	<u>2,909,522</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION
OTTAWA COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 2,891,307	\$ 2,895,000	\$ 3,251,869	\$ 356,869
Sales taxes	5,143,429	5,150,000	5,123,019	(26,981)
Charges for services	1,928,073	1,930,536	1,773,868	(156,668)
Licenses and permits	238,395	238,700	186,238	(52,462)
Fines and forfeitures	497,614	498,250	533,886	35,636
Intergovernmental	1,469,071	1,470,948	1,349,673	(121,275)
Investment income	1,847,639	1,850,000	2,636,579	786,579
Other	164,390	164,600	265,966	101,366
Total revenues	<u>14,179,918</u>	<u>14,198,034</u>	<u>15,121,098</u>	<u>923,064</u>
Expenditures:				
Current:				
General government:				
Legislative and executive	4,156,194	4,492,675	4,397,796	94,879
Judicial	2,305,126	2,444,405	2,404,517	39,888
Public safety	5,244,843	5,409,506	5,409,649	(143)
Public works	425,869	432,756	424,558	8,198
Health	29,144	46,644	39,676	6,968
Human services	1,131,785	1,097,745	1,081,041	16,704
Other	374,460	384,934	384,941	(7)
Total expenditures	<u>13,667,421</u>	<u>14,308,665</u>	<u>14,142,178</u>	<u>166,487</u>
Excess (deficiency) of revenues over (under) expenditures	<u>512,497</u>	<u>(110,631)</u>	<u>978,920</u>	<u>1,089,551</u>
Other financing sources (uses):				
Sale of capital assets	7,500	7,500	15,213	7,713
Other financing sources	707,253	707,253	605,726	(101,527)
Transfers in	275,000	275,000	246,161	(28,839)
Transfers out	(1,586,480)	(2,083,509)	(2,017,408)	66,101
Advances in			1,556,945	1,556,945
Advances out	(14,467)	(19,000)	(2,196,552)	(2,177,552)
Total other financing sources (uses)	<u>(611,194)</u>	<u>(1,112,756)</u>	<u>(1,789,915)</u>	<u>(677,159)</u>
Net change in fund balance	(98,697)	(1,223,387)	(810,995)	412,392
Fund balance at beginning of year	798,009	798,009	798,009	
Prior year encumbrances appropriated	479,546	479,546	479,546	
Fund balance at end of year	<u>\$ 1,178,858</u>	<u>\$ 54,168</u>	<u>\$ 466,560</u>	<u>\$ 412,392</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION
OTTAWA COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ROAD AND BRIDGE FUND
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property and other taxes	\$ 500,000	\$ 500,000	\$ 453,608	\$ (46,392)
Charges for services	1,230,000	1,230,000	1,022,754	(207,246)
Fines and forfeitures.	30,000	30,000	28,268	(1,732)
Intergovernmental	3,750,000	3,750,000	3,802,866	52,866
Other.	1,000	1,000	988	(12)
Total revenues	<u>5,511,000</u>	<u>5,511,000</u>	<u>5,308,484</u>	<u>(202,516)</u>
Expenditures:				
Current:				
Public works	8,965,242	8,400,210	6,528,800	1,871,410
Total expenditures	<u>8,965,242</u>	<u>8,400,210</u>	<u>6,528,800</u>	<u>1,871,410</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,454,242)</u>	<u>(2,889,210)</u>	<u>(1,220,316)</u>	<u>1,668,894</u>
Other financing sources:				
Transfers in.	75,000	75,000	155,907	80,907
Total other financing sources	<u>75,000</u>	<u>75,000</u>	<u>155,907</u>	<u>80,907</u>
Net change in fund balance	(3,379,242)	(2,814,210)	(1,064,409)	1,749,801
Fund balance at beginning of year	2,425,865	2,425,865	2,425,865	
Prior year encumbrances appropriated	<u>390,374</u>	<u>390,374</u>	<u>390,374</u>	
Fund balance at end of year.	<u>\$ (563,003)</u>	<u>\$ 2,029</u>	<u>\$ 1,751,830</u>	<u>\$ 1,749,801</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION
OTTAWA COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
JOB AND FAMILY SERVICES FUND
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 3,674,341	\$ 3,720,623	\$ 3,650,372	\$ (70,251)
Other	93,818	95,000	63,372	(31,628)
Total revenues.	<u>3,768,159</u>	<u>3,815,623</u>	<u>3,713,744</u>	<u>(101,879)</u>
Expenditures:				
Current:				
Human services	4,602,620	4,834,902	3,766,383	1,068,519
Total expenditures	<u>4,602,620</u>	<u>4,834,902</u>	<u>3,766,383</u>	<u>1,068,519</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(834,461)</u>	<u>(1,019,279)</u>	<u>(52,639)</u>	<u>966,640</u>
Other financing sources (uses):				
Transfers in.	684,990	684,990	616,118	(68,872)
Transfers out	<u> </u>	<u> </u>	<u>(59,796)</u>	<u>(59,796)</u>
Total other financing sources (uses)	<u>684,990</u>	<u>684,990</u>	<u>556,322</u>	<u>(128,668)</u>
Net change in fund balance	(149,471)	(334,289)	503,683	837,972
Fund balance at beginning of year	284,478	284,478	284,478	
Prior year encumbrances appropriated	<u>149,471</u>	<u>149,471</u>	<u>149,471</u>	
Fund balance at end of year.	<u>\$ 284,478</u>	<u>\$ 99,660</u>	<u>\$ 937,632</u>	<u>\$ 837,972</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION
OTTAWA COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES FUND
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 4,407,800	\$ 4,407,800	\$ 4,496,361	\$ 88,561
Other taxes	25,000	25,000	32,696	7,696
Charges for services	595,000	595,000	678,558	83,558
Intergovernmental	1,450,000	1,450,000	1,942,541	492,541
Other	3,602,000	3,602,000	20,258	(3,581,742)
Total revenues.	<u>10,079,800</u>	<u>10,079,800</u>	<u>7,170,414</u>	<u>(2,909,386)</u>
Expenditures:				
Current:				
Human services	7,800,521	7,800,348	6,827,846	972,502
Total expenditures	<u>7,800,521</u>	<u>7,800,348</u>	<u>6,827,846</u>	<u>972,502</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,279,279</u>	<u>2,279,452</u>	<u>342,568</u>	<u>(1,936,884)</u>
Other financing sources (uses):				
Transfers in.	500,000	500,000		(500,000)
Transfers out			(399,505)	(399,505)
Total other financing sources (uses)	<u>500,000</u>	<u>500,000</u>	<u>(399,505)</u>	<u>(899,505)</u>
Net change in fund balance	2,779,279	2,779,452	(56,937)	(2,836,389)
Fund balance at beginning of year	4,198,288	4,198,288	4,198,288	
Prior year encumbrances appropriated	<u>600,521</u>	<u>600,521</u>	<u>600,521</u>	
Fund balance at end of year.	<u>\$ 7,578,088</u>	<u>\$ 7,578,261</u>	<u>\$ 4,741,872</u>	<u>\$ (2,836,389)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION
OTTAWA COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
OTTAWA COUNTY SENIOR PROGRAMS FUND
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 395,173	\$ 400,000	\$ 412,615	\$ 12,615
Other taxes	3,310	3,350	4,129	779
Intergovernmental	275,268	278,630	121,632	(156,998)
Other	144,956	146,727	204,713	57,986
Total revenues.	<u>818,707</u>	<u>828,707</u>	<u>743,089</u>	<u>(85,618)</u>
Expenditures:				
Current:				
Human services	964,828	1,124,041	802,617	321,424
Total expenditures	<u>964,828</u>	<u>1,124,041</u>	<u>802,617</u>	<u>321,424</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(146,121)</u>	<u>(295,334)</u>	<u>(59,528)</u>	<u>235,806</u>
Other financing sources (uses):				
Transfers in.	152,423	152,423		(152,423)
Transfers out				
Advances in			216	216
Total other financing sources (uses)	<u>152,423</u>	<u>152,423</u>	<u>216</u>	<u>(152,207)</u>
Net change in fund balance	6,302	(142,911)	(59,312)	83,599
Fund balance at beginning of year	226,100	226,100	226,100	
Prior year encumbrances appropriated	<u>116,036</u>	<u>116,036</u>	<u>116,036</u>	
Fund balance at end of year.	<u>\$ 348,438</u>	<u>\$ 199,225</u>	<u>\$ 282,824</u>	<u>\$ 83,599</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FINANCIAL CONDITION
OTTAWA COUNTY**

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2007**

	Business Type Activities			
	Riverview Nursing Home	Danbury Sewer Operations	Regional Water Operations	Catawba Portage Sewer
Assets:				
Current Assets:				
Equity in pooled cash and cash equivalents.	\$ 2,300,320	\$ 2,392,531	\$ 5,680,774	\$ 1,050,670
Cash with escrow agents.				
Receivables (net of allowance for uncollectibles):				
Property taxes	648,883			
Accounts	592,171	183,108	371,332	157,919
Special assessments.			64,054	
Interfund loans		731,750		
Due from other funds	18,819		258	
Due from other governments	816,200			
Materials and supplies inventory	29,401	81,014	459,775	86,485
Prepayments.	35,836	2,268	12,057	3,317
Restricted Assets:				
Equity in pooled cash and cash equivalents		3,040,611		1,794,997
Cash with fiscal agents.		617,395		294,165
Total current assets	4,441,630	7,048,677	6,588,250	3,387,553
Noncurrent Assets:				
Unamortized bond issuance costs	54,114	88,876		185,172
Capital assets:				
Land and construction-in-progress	-	699,626	1,622,047	2,729,963
Depreciable capital assets, net	5,326,250	28,344,433	64,615,743	29,612,270
Total noncurrent assets	5,380,364	29,132,935	66,237,790	32,527,405
Total assets	9,821,994	36,181,612	72,826,040	35,914,958
Liabilities:				
Current Liabilities:				
Accounts payable.	317,320	45,763	53,047	25,358
Compensated absences.	190,769	39,421	78,842	42,051
Contracts payable.			76,701	
Retainage payable				
Accrued wages and benefits	120,631	9,307	22,219	11,169
Due to other funds	2,309	71		56
Due to other governments	230,503	10,524	21,396	11,918
Interfund loans payable.	595,199			15,720
Deferred revenue	85,046			
Unearned revenue	590,472			
Accrued interest payable	10,290	97,401	353,465	5,057
General obligation revenue bonds payable	451,000	216,987	33,800	15,000
Special assessment bonds payable				14,000
OWDA loans payable		253,286	1,161,087	
OPWC loans payable		45,126	12,896	18,667
OEPA loans payable.			147,284	
Liabilities payable from restricted assets:				
General obligation revenue bonds payable		35,000		165,000
Accrued interest payable.		8,438		29,431
Notes payable			665,000	
Claims payable.				
Total Current Liabilities	2,593,539	761,324	2,625,737	353,427

Business Type Activities		Governmental
Other	Total	Activity -
Enterprise	Enterprise	Internal
		Service
\$ 286,010	\$ 11,710,305	\$ 3,034,062
25,772	25,772	
	648,883	
2,416	1,306,946	458
203,416	267,470	
	731,750	
	19,077	
101,767	917,967	
	656,675	
30	53,508	
	4,835,608	
	911,560	
<u>619,411</u>	<u>22,085,521</u>	<u>3,034,520</u>
	328,162	
1,246,479	6,298,115	
<u>9,092,345</u>	<u>136,991,041</u>	
<u>10,338,824</u>	<u>143,617,318</u>	
<u>10,958,235</u>	<u>165,702,839</u>	<u>3,034,520</u>
36,460	477,948	
64	351,147	
	76,701	
25,772	25,772	
696	164,022	
	2,436	
810	275,151	
854,042	1,464,961	
	85,046	
	590,472	
9,980	476,193	
31,000	747,787	
	14,000	
28,362	1,442,735	
12,269	88,958	
	147,284	
	200,000	
	37,869	
	665,000	
		576,604
<u>999,455</u>	<u>7,333,482</u>	<u>576,604</u>

**FINANCIAL CONDITION
OTTAWA COUNTY**

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2007

	Business Type Activities			
	Riverview Nursing Home	Danbury Sewer	Regional Water	Catawba Portage Sewer
Non-Current Liabilities:				
General obligation revenue bonds payable	2,811,815	3,474,282	1,745,500	6,810,138
Special assessment bonds payable				378,000
OWDA loans payable		4,910,024	23,990,509	
OPWC loans payable		348,184	206,500	225,024
Ohio water and sewer loans payable		87,862	1,065,904	38,209
OEPA loans payable			2,191,005	
Compensated absences	50,899	20,924	41,848	22,320
Total Non-Current Liabilities	2,862,714	8,841,276	29,241,266	7,473,691
Total liabilities	5,456,253	9,602,600	31,867,003	7,827,118
Net assets:				
Invested in capital assets, net of related debt	2,117,549	19,762,184	35,018,305	24,863,367
Restricted for:				
Repairs and replacements		1,116,290		1,503,732
Revenue bond current debt service		1,340,737		179,748
Revenue bond future debt service		583,584		111,517
Unrestricted	2,248,192	3,776,217	5,940,732	1,429,476
Total net assets	\$ 4,365,741	\$ 26,579,012	\$ 40,959,037	\$ 28,087,840

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

Net assets of business-type activities

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Business Type Activities		Governmental Activity - Internal Service
Other Enterprise	Total Enterprise	
98,000	14,939,735	
	378,000	
1,182,270	30,082,803	
189,976	969,684	
13,128	1,205,103	
	2,191,005	
34	136,025	
<hr/>	<hr/>	<hr/>
1,483,408	49,902,355	
<hr/>	<hr/>	<hr/>
2,482,863	57,235,837	576,604
<hr/>	<hr/>	<hr/>
8,783,819	90,545,224	
	2,620,022	
	1,520,485	
	695,101	
(308,447)	13,086,170	2,457,916
<hr/>	<hr/>	<hr/>
<u>\$ 8,475,372</u>	108,467,002	<u>\$ 2,457,916</u>
	<hr/>	
	(246,923)	
	<hr/>	
	<u>\$ 108,220,079</u>	

**FINANCIAL CONDITION
OTTAWA COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007**

	Business Type Activities			
	Riverview Nursing Home	Danbury Sewer Operations	Regional Water Operations	Catawba Portage Sewer
Operating revenues:				
Charges for services	\$ 9,153,705	\$ 2,328,387	\$ 4,841,424	\$ 2,215,155
Other	21,131	15,344	108,170	19,750
Total operating revenues	9,174,836	2,343,731	4,949,594	2,234,905
Operating expenses:				
Personal services	6,701,304	681,190	1,200,892	620,143
Contract services	2,187,228	191,088	389,370	297,753
Materials and supplies	1,557,636	70,913	198,924	202,666
Depreciation	139,433	928,953	1,681,680	1,183,300
Claims				
Other	7,214	126,163	213,244	85,517
Total operating expenses	10,592,815	1,998,307	3,684,110	2,389,379
Operating income (loss)	(1,417,979)	345,424	1,265,484	(154,474)
Nonoperating revenues (expenses):				
Property taxes	637,004			
Special assessments				40,197
Grants	65,278	17,635	1,555	4,768
Loss on disposal of capital assets				(65,555)
Interest expense and fiscal charges	(168,950)	(318,070)	(784,156)	(426,108)
Total nonoperating revenues (expenses)	533,332	(300,435)	(782,601)	(446,698)
Income (loss) before capital contributions and transfers	(884,647)	44,989	482,883	(601,172)
Capital contributions		147,345	160,137	610,464
Transfers in	56,623	1,303,421	363,873	211,056
Transfers out		(75,603)	(1,081,043)	
Changes in net assets	(828,024)	1,420,152	(74,150)	220,348
Net assets at beginning of year	5,193,765	25,158,860	41,033,187	27,867,492
Net assets at end of year	\$ 4,365,741	\$ 26,579,012	\$ 40,959,037	\$ 28,087,840

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

Change in net assets of business-type activities

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Business Type Activities		Governmental
Other	Total	Activity -
Enterprise	Enterprise	Internal
		Service
\$ 12,740	\$ 18,551,411	\$ 4,000,635
17,301	181,696	9,469
<u>30,041</u>	<u>18,733,107</u>	<u>4,010,104</u>
37,182	9,240,711	
106,609	3,172,048	596,190
	2,030,139	
132,711	4,066,077	
<u>282,184</u>	<u>714,322</u>	<u>4,086,913</u>
<u>558,686</u>	<u>19,223,297</u>	<u>4,683,103</u>
(528,645)	(490,190)	(672,999)
	637,004	
23,678	63,875	
1,398,196	1,487,432	
	(65,555)	
<u>(36,439)</u>	<u>(1,733,723)</u>	
<u>1,385,435</u>	<u>389,033</u>	
856,790	(101,157)	(672,999)
762,495	1,680,441	
152,791	2,087,764	166,187
<u>(222,342)</u>	<u>(1,378,988)</u>	
1,549,734	2,288,060	(506,812)
<u>6,925,638</u>		<u>2,964,728</u>
<u>\$ 8,475,372</u>		<u>\$ 2,457,916</u>
	<u>(342,055)</u>	
	<u>\$ 1,946,005</u>	

**FINANCIAL CONDITION
OTTAWA COUNTY**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007**

	Business Type Activities			
	Riverview Nursing Home	Danbury Sewer Operations	Regional Water Operations	Catawba Portage Sewer
Cash flows from operating activities:				
Cash received from customers	\$ 9,362,686	\$ 2,331,247	\$ 4,808,124	\$ 2,224,387
Cash received for other revenues	16,197	15,344	108,170	19,750
Cash received from transactions with other funds				
Cash payments for personal services	(6,916,490)	(663,785)	(1,163,769)	(619,073)
Cash payments for contract services	(2,142,208)	(191,491)	(410,105)	(291,200)
Cash payments to suppliers	(1,526,599)	(107,900)	(354,346)	(158,071)
Cash payments for claims				
Cash payments for other expenses.	(2,196)	(130,619)	(217,398)	(86,732)
Net cash provided by (used in) operating activities.	<u>(1,208,610)</u>	<u>1,252,796</u>	<u>2,770,676</u>	<u>1,089,061</u>
Cash flows from noncapital financing activities:				
Property taxes	637,004			
Advances in	595,199			15,720
Advances out.	(595,199)	(746,328)		(1,907)
Transfers in	56,623	1,303,421	363,873	211,056
Transfers out.		(75,603)	(1,081,043)	
Net cash provided by (used in) noncapital financing activities	<u>693,627</u>	<u>481,490</u>	<u>(717,170)</u>	<u>224,869</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets		(38,263)	(553,327)	(51,008)
Grants.	65,278	53,379	1,555	4,768
Special assessments				40,197
Issuance of notes			665,000	
Principal paid on notes.				(450,000)
Interest paid on notes.				(5,640)
Principal paid on general obligation revenue bonds	(438,000)	(520,000)	(32,300)	(175,000)
Interest paid on general obligation revenue bonds	(137,808)	(86,462)	(86,051)	(377,532)
Principal paid on special assessment bonds.				(401,000)
Interest paid on special assessment bonds.				(21,388)
Principal paid on Ohio Water and Sewer Loans			(2,016)	
Principal paid on from OWDA Loans		(209,318)	(1,136,775)	
Interest paid on from OWDA Loans.		(195,569)	(605,938)	
Principal paid on from OPWC Loans		(43,980)	(12,897)	(18,302)
Interest paid on from OPWC Loans		(7,247)		(3,246)
Principal paid on from OEPA Loans			(141,537)	
Interest paid on from OEPA Loans			(98,281)	
Net cash provided by (used in) capital and related financing activities.	<u>(510,530)</u>	<u>(1,047,460)</u>	<u>(2,002,567)</u>	<u>(1,458,151)</u>
Net increase (decrease) in cash and cash equivalents	(1,025,513)	686,826	50,939	(144,221)
Cash and cash equivalents at beginning of year	3,325,833	5,363,711	5,629,835	3,284,053
Cash and cash equivalents at end of year	<u>\$ 2,300,320</u>	<u>\$ 6,050,537</u>	<u>\$ 5,680,774</u>	<u>\$ 3,139,832</u>

Business Type Activities		Governmental
Other	Total	Activity -
Enterprise	Enterprise	Internal
		Service
\$ 10,340	\$ 18,736,784	
43,057	202,518	\$ 9,011
		4,000,635
(37,041)	(9,400,158)	
(275,877)	(3,310,881)	(596,190)
	(2,146,916)	
		(3,913,768)
<u>(283,126)</u>	<u>(720,071)</u>	
<u>(542,647)</u>	<u>3,361,276</u>	<u>(500,312)</u>
	637,004	
852,804	1,463,723	
(543,899)	(1,887,333)	
152,791	2,087,764	166,187
<u>(222,342)</u>	<u>(1,378,988)</u>	
<u>239,354</u>	<u>922,170</u>	<u>166,187</u>
(2,094,100)	(2,736,698)	
2,494,863	2,619,843	
27,774	67,971	
	665,000	
(1,075,000)	(1,525,000)	
(51,803)	(57,443)	
(31,000)	(1,196,300)	
(7,844)	(695,697)	
	(401,000)	
	(21,388)	
	(2,016)	
	(1,346,093)	
	(801,507)	
(12,269)	(87,448)	
	(10,493)	
	(141,537)	
	<u>(98,281)</u>	
<u>(749,379)</u>	<u>(5,768,087)</u>	
(1,052,672)	(1,484,641)	(334,125)
1,364,454	18,967,886	3,368,187
<u>\$ 311,782</u>	<u>\$ 17,483,245</u>	<u>\$ 3,034,062</u>

(continued)

**FINANCIAL CONDITION
OTTAWA COUNTY**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007**

	Business Type Activities			
	Riverview Nursing Home	Danbury Sewer	Regional Water	Catawba Portage Sewer
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (1,417,979)	\$ 345,424	\$ 1,265,484	\$ (154,474)
Adjustments:				
Depreciation	139,433	928,953	1,681,680	1,183,300
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	197,199	1,665	(33,265)	9,164
(Increase) decrease in due from other funds	(253)	1,195	(35)	68
(Increase) decrease in due from other governments	7,101			
(Increase) decrease in prepayments	(3,766)	(105)	(6,283)	(1,276)
(Increase) decrease in materials and supplies inventory	(18,864)	2,546	(159,175)	48,054
Increase (decrease) in accounts payable	141,668	13,949	(9,268)	3,251
Increase (decrease) in contracts payable	(32,571)		(5,530)	
Increase (decrease) in accrued wages and benefits	16,252	1,921	5,645	2,129
Increase (decrease) in due to other funds	(5,373)	(81)	(55)	(96)
Increase (decrease) in retainage payable		(58,155)		
Increase (decrease) in due to other governments.	(212,439)	7,071	14,652	(10,033)
Increase (decrease) in compensated absences payable	(19,018)	8,413	16,826	8,974
Increase (decrease) in claims payable				
Total adjustments.	209,369	907,372	1,505,192	1,243,535
Net cash provided by (used in) operating activities	<u>\$ (1,208,610)</u>	<u>\$ 1,252,796</u>	<u>\$ 2,770,676</u>	<u>\$ 1,089,061</u>
Non-cash transactions:				
Contributions from developers.		\$ 147,345	\$ 160,317	\$ 610,464
Capital assets purchased on account at 12/31/06		16,517	2,408	
Capital assets purchased on account at 12/31/07		8,224	79,556	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<u>Business Type Activities</u>		<u>Governmental Activity - Internal Service</u>
<u>Other Enterprise</u>	<u>Total Enterprise</u>	
\$ (528,645)	\$ (490,190)	\$ (672,999)
132,711	4,066,077	
(2,416)	172,347	(458)
	975	
	7,101	
426	(11,004)	
	(127,439)	
(942)	148,658	
(11,469)	(49,570)	
(431)	25,516	
	(5,605)	
(132,444)	(190,599)	
550	(200,199)	
13	15,208	
		173,145
(14,002)	3,851,466	172,687
<u>\$ (542,647)</u>	<u>\$ 3,361,276</u>	<u>\$ (500,312)</u>
\$ 762,495	\$ 1,680,621	
298,590	317,515	
36,430	124,210	

**FINANCIAL CONDITION
OTTAWA COUNTY**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2007

	Agency
Assets:	
Equity in pooled cash and cash equivalents . . .	\$ 5,439,145
Cash in segregated accounts	1,052,843
Receivables:	
Property taxes.	57,803,672
Due from other governments	4,310,502
 Total assets	 \$ 68,606,162
 Liabilities:	
Accounts payable	\$ 72,463
Accrued wages and benefits	34,139
Due to other governments.	62,328,847
Undistributed monies	6,170,713
 Total liabilities	 \$ 68,606,162

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

NOTE 1 - DESCRIPTION OF THE COUNTY

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

Although the elected officials manage the internal operations of their respective departments, the County Commissioners authorize expenditures as well as 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 unites, and other organizations that are included to ensure the financial statements of the County are not misleading.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government 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, to its governmental and business-type activities and its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The County has the option to also apply FASB Statements and Interpretations issued after November 30, 1989, to its business-type activities and enterprise fund, subject to this same limitation. The County has elected not to apply these FASB Statements and Interpretations.

The most significant of the County's accounting policies are described below.

A. Reporting Entity

The County's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity", and as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The basic financial statements include all funds, agencies, boards, commissions, and component units for which the County and the County Commissioners are "accountable". Accountability was evaluated based on financial accountability, the nature and significance of the potential component unit's (PCU) relationship with the County and whether exclusion would cause the County's basic financial statements to be misleading or incomplete. Among the factors considered were separate legal standing; appointment of a voting majority of the PCU's board; fiscal dependency and whether a benefit or burden relationship exists; imposition of will; and the nature and significance of the PCU's relationship with the County.

Based on the foregoing criteria, the financial activities of the following PCUs have been reflected in the accompanying basic financial statements as follows:

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

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

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 21 to the basic financial statements.

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 Development 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, 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.

POTENTIAL COMPONENT UNITS REPORTED AS AGENCY FUNDS

The County Treasurer, as the custodian of public funds, 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 is not financially accountable for their operations. Accordingly, the activity of the following entities is presented as agency funds within the financial statements:

Ottawa County Soil and Water Conservation District
Ottawa County District Board of Health
Family and Children First Council

The County participates in several joint ventures, a jointly governed organization, and an insurance pool as follows:

JOINT VENTURES

Joint Solid Waste District

The Joint Solid Waste District (the "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.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

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

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

The District's sole revenue source is derived from a waste disposal fee for in-district and out-of-district waste. A sixteen-member policy committee, consisting of five members from each county and one at-large member appointed by the board of directors, is responsible for preparing the solid waste management plan of the District in conjunction with a sixteen-member Technical Advisory Council (members appointed by the policy committee). As of December 31, 2007, the County's equity interest in the Joint Solid Waste District was \$565,529. Financial information can be obtained from William Farrell, Sandusky County Auditor, 100 North Park Avenue, Fremont, Ohio 43420.

Mental Health and Recovery Board of Erie and Ottawa Counties (MHRB)

The MHRB is a governmental joint venture between Erie and Ottawa Counties. It provides mental health education, consultation, training, and referral services to the public. The organization is controlled by a board whose membership consists of five appointees of the State Board of Mental Health, six appointees of the Ottawa County Commissioners, and nine appointees of the Erie County Commissioners. Fiscal matters are handled by the Erie County Auditor. Financial statements for the MHRB are available, upon request, from: Mental Health and Recovery Board of Erie and Ottawa Counties, 416 Columbus Avenue, Sandusky, Ohio, 44870.

Regional Airport Authority

The Regional Airport Authority (the "Airport Authority") is a joint venture between Ottawa and Erie Counties. The Airport Authority was formed to provide maintenance of runways and taxiways at the Airport facility. The Airport Authority operates under the direction of a seven-member board of trustees. Three members are appointed by the County Commissioners in each county. The seventh member is appointed at large by the other six. The members serve without compensation as outlined in Section 308.04 of the Ohio Revised Code. 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 2007, the County provided \$73,000 for airport operations. Financial information for the Airport Authority can be obtained from Valerie Gregory, Secretary, 3255 East State Road, Port Clinton, Ohio 43452.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

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

JOINTLY GOVERNED ORGANIZATION

Ottawa County Regional Planning Commission

The County participates in the Ottawa County Regional Planning Commission (the "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 Commission. 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 2007, the County contributed \$140,587 to the Regional Planning Commission.

INSURANCE POOL

County Risk Sharing Authority, Inc. (CORSA)

The County Risk Sharing Authority, Inc. is a jointly governed organization among forty-one counties in Ohio. CORSA was formed as an Ohio nonprofit 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. These coverages include comprehensive general liability, automobile liability, certain property insurance and public officials' errors and omissions liability insurance.

Each member county has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the Corporation 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. No county may have more than one representative on the Board 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.

CORSA has issued certificates of participation in order to provide adequate cash reserves. The certificates are secured by the member counties' obligations to make coverage payments to CORSA. The participating counties have no responsibility for the payment of the certificates. The total amount of certificates issued by CORSA for the forty-one participating counties is \$1,645,000. The County does not have an equity interest in CORSA. The County's payment for insurance to CORSA in 2007 was \$316,672.

Financial statements may be obtained by contacting the County Commissioners Association of Ohio in Columbus, Ohio.

B. Basis of Presentation and Measurement Focus

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, 2007
(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 activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the County that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the enterprise fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the County and for each function or program of the County's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the County. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the County.

Fund Financial Statements - Fund financial statements report detailed information about the County. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All enterprise funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of revenues, expenses and changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the County finances and meets the cash flow needs of its enterprise activities.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

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

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the County's proprietary funds are charges for sales and services. Operating expenses for the enterprise funds include personnel and other expenses related to the operations of the enterprise activity. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

Agency funds do not report a measurement focus as they do not report operations.

C. 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. There are three categories of funds: 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 is used to account for all activities of the County not required to be included in another fund. The general fund balance is available to the County for any purpose provided it is expended or transferred according to the general laws of Ohio.

Road and Bridge 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.

Ottawa County Board of Mental Retardation and Developmental Disabilities (MRDD) Fund - This fund accounts for a county-wide tax levy and federal and state grants that are used for developing and implementing programs for developmentally disabled citizens.

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

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

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

Other governmental funds of the County are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities; (b) for the accumulation of resources for, and the repayment of, general long-term debt principal, interest and related costs and (c) for grants and other resources, the use of which is restricted to a particular purpose.

PROPRIETARY FUNDS

Proprietary funds are used to account for the County's ongoing activities which are similar to those found in the private sector. Proprietary funds are classified as either enterprise or internal service.

Enterprise Funds - The enterprise funds are used to account for operations financed and operated in a manner similar to private business enterprises. The intent of the County is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The County has presented the following 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 Operations - This fund accounts for sanitary sewer services provided to individuals and commercial users in Danbury Township and the Village of Marblehead.

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

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the County under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the County's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The County's only fiduciary funds are agency funds that 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.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

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

D. Basis of Accounting

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

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

Nonexchange transactions, in which the County receives value without directly giving equal value in return, include sales taxes, property taxes, grants, entitlements and donations. On a full accrual basis, revenue from sales taxes is recognized in the year in which the sales are made. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal 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 a modified accrual basis, revenue from all other nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: sales tax (See Note 7), interest, federal and state grants and subsidies, state-levied locally shared taxes (including motor vehicle license fees and gasoline taxes), fees and rentals.

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2007, but which were levied to finance year 2008 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as unearned revenue. Sales taxes and special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2007, are recorded as deferred revenue.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

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

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred revenue.

Expense/Expenditures - On the full accrual basis of accounting, expenses are recognized at the time they are incurred.

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

E. Budgetary Data

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 levels 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 appropriations 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. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the County's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the basic financial statements.

The County has segregated bank accounts for monies held separately from the County's central bank account. These interest-bearing depository accounts are presented on the financial statements as "Cash in Segregated Accounts" or as "Cash with Fiscal Agents" since they are not required to be deposited into the County treasury.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

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

The County has segregated bank accounts for monies held as retainage for various construction projects. These interest-bearing depository accounts are presented on the financial statements as "Cash with Escrow Agents".

During fiscal year 2007, investments were limited to federal agency securities, mutual funds, and the State Treasury Asset Reserve of Ohio (STAR Ohio). Investments are reported at fair value which is based on quoted market prices.

The County has invested funds in STAR Ohio during fiscal year 2007. 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 Securities Exchange Commission (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, 2007.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal year 2007 amounted to \$2,406,045 which includes \$2,346,471 assigned from other County funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the County are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments, to the extent the investments were purchased from a specific fund rather than the pool.

G. Inventories of Materials and Supplies

On the government-wide and fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed/expended when used. Inventories are accounted for using the consumption method. Inventories at year-end consist of expendable supplies held for consumption.

H. Capital Assets

Governmental capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of 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, 2007
(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 retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The County maintains a capitalization threshold of \$5,000. The County's infrastructure consists of roads, bridges, culverts and sanitary sewers. 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 capital assets is also capitalized.

All reported capital assets are depreciated except for land and construction in progress. 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 replacements. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</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

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2007, 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.

J. 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.

K. Compensated Absences

Compensated absences of the County consist of vacation leave and sick leave to the extent that payment to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the County and the employee. The County records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is based on the sick leave accumulated at December 31, 2007, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. Sick leave benefits are accrued using the "Vesting" method. The County records a liability for accumulated unused sick leave for all employees after fifteen years of service with the County.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at December 31, 2007, and reduced to the maximum payment allowed by labor contract and/or statute, plus applicable additional salary related payments.

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 the occurrence of employee resignations and retirements. These amounts are recorded in the accounts "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.

L. Unamortized Bond Issuance Costs/Bond Discounts and Premiums/Accounting Gain or Loss

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 and straight-line methods, 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.

For advance refundings resulting in the defeasance of debt reported in the entity-wide and proprietary funds, 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 gain or 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 an addition to or reduction from the face amount of the new debt.

M. Fund Balance Reserves

Reserved fund balances indicate that a portion of fund equity is not available for current appropriation or use. The unreserved or undesignated portions of fund equity reflected in the governmental funds are available for use within the specific purposes of the funds.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

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

The County reports amounts representing encumbrances outstanding, loans receivable, and unclaimed monies as reservations of fund balance in the governmental funds.

N. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported in 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, claims and judgments, and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, long-term loans, and contractually required pension contributions are recognized as a liability in the fund financial statements when due.

O. Interfund Transactions/Balances

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

During the normal course of operations, the County has numerous transactions between funds. Transfers represent movement of resources from a fund receiving revenue to a fund through which those resources will be expended and are recorded as other financing sources (uses) in governmental funds and as transfers in proprietary funds. Interfund transactions that would be treated as revenues and expenditures/expenses if they involved organizations external to the County are treated similarly when involving other funds of the County.

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivable/interfund payable" for the current portion of interfund loans or advances to/from other funds for the non-current portion of interfund loans. All other outstanding balances outstanding between funds are reported as "due to/from other funds." These amounts are eliminated in the Statement of Net Assets, except for any residual balances outstanding between the governmental activities and business-type activities, which are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the governmental fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

P. Operating Revenues and Expenses

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

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

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

Q. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets (primarily from developers), or from grants or outside contributions of resources restricted to capital acquisition and construction.

R. 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 balances 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 the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. As of December 31, 2007, there were no net assets restricted by enabling legislation.

The County applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

S. 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 of enabling legislation.

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.

T. Estimates

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

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 the County administration and that are either unusual in nature or infrequent in occurrence. The County had no extraordinary or special items during 2007.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Restatement of Net Assets and Nonmajor Governmental Fund Balances

For fiscal year 2007, the County has reported a prior period adjustment to capital assets and accumulated depreciation in the governmental activities in order to capitalize and properly report balances for buildings, equipment, and vehicles as of December 31, 2006, and to properly report notes receivable in the nonmajor governmental funds as of December 31, 2006. This prior period adjustment had the following effects on governmental activities net assets and nonmajor governmental fund balances as stated in the previous reporting period:

Governmental Activities

Net assets, December 31, 2006	\$ 56,796,054
Adjustment for capital assets	2,792,997
Adjustment for accumulated depreciation	(391,242)
Adjustment for notes receivable	<u>406,005</u>
Restated net assets, January 1, 2007	<u>\$ 59,603,814</u>

Nonmajor Governmental Fund Balances

Fund balance, December 31, 2006	\$ 7,501,482
Adjustment for notes receivable	<u>406,005</u>
Restated nonmajor fund balances, January 1, 2007	<u>\$ 7,907,487</u>

B. Changes in Accounting Principles

For fiscal 2007, the County has implemented GASB Statement No. 43, "Financial Reporting For Postemployment Benefit Plans Other Than Pension Plans", GASB Statement No. 45, "Accounting And Financial Reporting By Employers For Postemployment Benefits Other Than Pensions", and GASB Statement No. 48, "Sales And Pledges Of Receivables And Future Revenues And Intra-Entity Transfers Of Assets And Future Revenues".

GASB Statements No. 43 and No. 45 establish uniform standards of financial reporting for other postemployment benefit plans and increase the usefulness and improve the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 43 and No. 45 did not have an effect on the financial statements of the County; however, the Postemployment Benefit disclosures (See Note 16) have been modified for their implementation.

GASB Statement No. 48 established criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the County.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE – (Continued)

C. Deficit Fund Balances and Net Assets

<u>Nonmajor Governmental Funds</u>	
Ditch Maintenance Program	\$ 4,799
Family Dependency Treatment	12,291
Student Achievement Program	2,890
Buffer Zone Protection Grant	8,340
Public Radio Safety Maintenance	58,047
JAIBG	578
Ditch Cleaning	5,140
Common Pleas Computer	3,338
Hazard Mitigation Grant	438
HVOE	1,377
Americorp Grant	4,291
Municipal Court Corrections	28,389
P.C. Eastern Road Construction - Phase II	225
OCTA Design & Construction	510,151
Roose Ditch Construction	10,203
Lohrbach Ditch Improvements	13,937
August Kutzner Ditch	21,054
Millinger Ditch Project	3,633
Winter's Ditch	60,917
Locust Point Pump Drainage	31,331
Minier Ditch	10,600
<u>Nonmajor Enterprise Funds</u>	
Portage Catawba Water	26,704
Phase III Erie Township Sewer/Water	2,421

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. These deficit fund balances are the result of adjustments for accrued liabilities.

NOTE 4 - 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.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS – (Continued)

Monies held by the County which are not considered active are classified as inactive. 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 Notes, bills, bonds, 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 obligations 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 that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasury Asset Reserve of Ohio (STAR Ohio) investment pool;
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange 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;

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS – (Continued)

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.

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 District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash with Escrow Agents

At year-end, the County deposited \$25,772 with escrow agents for retainage accounts maintained for various construction projects. The balances in these depository accounts are included in "Deposits with Financial Institutions" below.

B. Cash in Segregated Accounts

At year-end, the County deposited \$1,136,159 in accounts separate from the County's internal investment pool. The balances in these depository accounts are included in "Deposits with Financial Institutions" below.

C. Cash on Hand

At year-end, the County had \$239,461 in undeposited cash on hand which is included on the financial statements of the County as part of "Equity in Pooled Cash and Cash Equivalents".

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS – (Continued)

D. Deposits with Financial Institutions

At December 31, 2007, the carrying amount of all County deposits was \$5,303,590. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of December 31, 2007, \$4,643,820 of the County’s bank balance of \$7,443,989 was exposed to custodial risk as discussed below, while \$2,800,169 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the County’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the County.

E. Investments

As of December 31, 2007, the County had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 - 12 months</u>	<u>13 - 18 months</u>	<u>19 - 24 months</u>	<u>More than 24 months</u>
FHLB	\$ 6,519,245		\$ 2,492,975	\$ -	\$ 1,000,630	\$ 3,025,640
FNMA	14,730,423				2,909,076	11,821,347
Mutual Funds	18,365,935	\$ 18,365,935				
STAR Ohio	<u>135,301</u>	<u>135,301</u>	-	-	-	-
	<u>\$ 39,750,904</u>	<u>\$ 18,501,236</u>	<u>\$ 2,492,975</u>	<u>\$ -</u>	<u>\$ 3,909,706</u>	<u>\$ 14,846,987</u>

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the County’s investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The County’s investments were rated AAA and Aaa by Standard & Poor’s and Moody’s Investor Services, respectively. Standard & Poor’s has assigned STAR Ohio an AAAM money market rating. STAR Ohio must maintain the highest letter or numerical rating provided by at least one nationally recognized standards service.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS – (Continued)

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. \$20,749,668 of the federal agency securities (FHLB and FNMA) are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the County's name. The County has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk: The County places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the County at December 31, 2007:

<u>Investment type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
FHLB	\$ 6,519,245	16.40%
FNMA	14,730,423	37.06%
Mutual Funds	18,365,935	46.20%
STAR Ohio	<u>135,301</u>	<u>0.34%</u>
	<u>\$ 39,750,904</u>	<u>100.00%</u>

F. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note disclosure above to cash and investments as reported on the statement of net assets as of December 31, 2007:

<u>Cash and Investments per Note Disclosure</u>	
Carrying amount of deposits	\$ 5,303,590
Investments	39,750,904
Cash on hand	<u>239,461</u>
Total	<u>\$ 45,293,955</u>

<u>Cash and Investments per Statement of Net Assets</u>	
Governmental activities	\$ 21,318,722
Business-type activities	17,483,245
Agency funds	<u>6,491,988</u>
Total	<u>\$ 45,293,955</u>

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund transfers for the year ended December 31, 2007, consisted of the following, as reported on the fund financial statements:

<u>Fund</u>	<u>Transfers Out</u>	<u>Transfers In</u>
Major Governmental Funds:		
General	\$ 2,017,408	\$ 246,161
Road and Bridge		155,907
Job and Family Services	59,796	616,118
Mental Retardation and Developmental Disabilities	399,505	
Special Assessment Bonds		1,807
Nonmajor Governmental Funds	885,025	1,466,778
Major Enterprise Funds:		
Riverview Nursing Home		56,623
Danbury Sewer Operations	75,603	1,303,421
Regional Water Operations	1,081,043	363,873
Catawba Portage Sewer		211,056
Nonmajor Enterprise Funds	222,342	152,791
Nonmajor Internal Service Fund	-	166,187
Total	<u>\$ 4,740,722</u>	<u>\$ 4,740,722</u>

Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 5 - INTERFUND TRANSACTIONS – (Continued)

- B.** Interfund loans receivable/payable consisted of the following at December 31, 2007, as reported on the fund financial statements:

<u>Fund</u>	<u>Interfund Loans Receivable</u>	<u>Interfund Loans Payable</u>
Major Governmental Funds:		
General	\$ 2,175,308	
Ottawa County Senior Programs		\$ 216
Special Assessment Bonds		538
Nonmajor Governmental Funds		1,441,343
Major Enterprise Funds:		
Riverview Nursing Home		595,199
Danbury Sewer Operations	731,750	
Catawba Portage Sewer		15,720
Nonmajor Enterprise Funds	<u>-</u>	<u>854,042</u>
Total	<u>\$ 2,907,058</u>	<u>\$ 2,907,058</u>

These interfund loans will be repaid in the next fiscal year as resources become available. Interfund loan balances between governmental funds are eliminated for reporting on the government-wide statement of net assets. Interfund loan balances between governmental activities and business-type activities are reported as a component of the "internal balance" reported on the statement of net assets.

- C.** Due to/from other funds consisted of the following at December 31, 2007, as reported on the fund financial statements:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Major Governmental Funds:		
General	\$ 148,035	\$ 19,097
Road and Bridge	8,474	
Job and Family Services		43,092
MRDD		123,746
Ottawa County Senior Programs		70,226
Nonmajor Governmental Funds	99,918	16,907
Major Enterprise Funds:		
Riverview Nursing Home	18,819	2,309
Danbury Sewer Operations		71
Regional Water Operations	258	
Catawba Portage Sewer	<u>-</u>	<u>56</u>
Total	<u>\$ 275,504</u>	<u>\$ 275,504</u>

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 5 - INTERFUND TRANSACTIONS – (Continued)

Amounts due from/to other funds represent amounts owed between funds for goods or services provided. The balances resulted from the time lag between the dates that payments between the funds are made. Due to/from other fund balances between governmental funds are eliminated for reporting on the government-wide statement of net assets. Due to/from other funds balances between governmental activities and business-type activities are reported as a component of the "internal balance" reported on the statement of net assets.

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible personal property located in the County. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. The last revaluation was completed in 2005. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2007 public utility property taxes became a lien December 31, 2006, are levied after October 1, 2007, and are collected in 2008 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in 2007 (other than public utility property) represent the collection of 2007 taxes. Tangible personal property taxes received in 2007 were levied after October 1, 2006, on the true value as of December 31, 2006. Tangible personal property tax is being phased out - the assessment percentage for property, including inventory, is 12.5% for 2007. This percentage will be reduced to 6.25% for 2008 and zero for 2009. 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.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 6 - PROPERTY TAXES – (Continued)

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of December 31, 2007, and for which there was an enforceable legal claim. In governmental funds, the entire receivable has been deferred, but recorded as unearned, since current taxes were not levied to finance 2007 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On the accrual basis, delinquent real property taxes have been recorded as a receivable and revenue while the remainder of the receivable is deferred.

The full tax rate for all County operations for the year ended December 31, 2007, was \$7.10 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2007 property tax receipts were based are as follows:

<u>Real Property</u>	
Residential/Agricultural	\$ 1,280,870,230
Commercial/Industrial/Mineral	249,418,990
Tangible Personal Property	46,166,829
<u>Public Utility</u>	
Real	463,970
Personal	<u>123,904,690</u>
Total Assessed Value	<u>\$ 1,700,824,709</u>

NOTE 7 - 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.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2007, consisted of taxes, accounts (billings for user charged services), interfund transactions related to charges for goods and services rendered, intergovernmental receivables arising from grants, entitlements and shared revenue, special assessments, accrued interest, and loans. All intergovernmental receivables have been classified as "Due From Other Governments" on the financial statements. Receivables have been recorded as described in Note 2.D. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 8 – RECEIVABLES – (Continued)

<u>Receivables:</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Sales taxes	\$ 682,453	
Property taxes	9,191,796	\$ 648,883
Other local taxes	31,441	
Accounts	335,716	1,306,946
Accrued interest	314,929	
Due from other governments	5,256,339	917,967
Special assessments	18,700,981	267,470
Loans	1,607,711	

Receivables have been disaggregated on the basic financial statements. The only receivable not expected to be collected within the subsequent year are the special assessments, which are collected over the life of the assessment, and the loans which are collected over the term of the underlying loan. The amount of special assessments receivable reported above includes a total of \$239,527 in delinquent special assessments. Of this total, \$236,228 is reported in governmental activities and \$3,299 is reported in business-type activities.

Loans receivable represent loans to the Airport, the Fair Board, the Visitors' Bureau, and to eligible individuals for residential rehabilitations under the Federal Community Development Block Grant program. A summary of the changes in notes receivable during 2007 follows:

	<u>Balance 12/31/2006</u>	<u>New Loans</u>	<u>Repayments</u>	<u>Balance 12/31/2007</u>
<u>General Fund</u>				
Airport	\$ 385,000		\$ (20,000)	\$ 365,000
Fair Board	51,600			51,600
Visitors' Bureau	25,000	-	(25,000)	-
Total General Fund	<u>461,600</u>	<u>-</u>	<u>(45,000)</u>	<u>416,600</u>
<u>Nonmajor Governmental Funds</u>				
CHIP/HOME	367,938	\$ 47,334		415,272
CDBG Housing Revolving Funds	117,699		(19,931)	97,768
CDBG Revolving Loans	406,005	300,000	(27,934)	678,071
Total Nonmajor Governmental Funds	<u>891,642</u>	<u>347,334</u>	<u>(47,865)</u>	<u>1,191,111</u>
Total Loans Receivable	<u>\$ 1,353,242</u>	<u>\$ 347,334</u>	<u>\$ (92,865)</u>	<u>\$ 1,607,711</u>

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 8 – RECEIVABLES – (Continued)

A summary of the principal items of intergovernmental receivables follows:

Governmental Funds:

Major Funds:

General Fund

Local Government Funds	\$ 422,323
Local Government Revenue Assistance	90,950
Homestead and Rollback	159,468
Municipal Court	34,251
Total General Fund	<u>\$ 706,992</u>

Road and Bridge Fund

Gasoline Taxes	\$ 1,140,887
Motor Vehicle Licenses	711,230
Total Road and Bridge Fund	<u>\$ 1,852,117</u>

Job and Family Services Fund

Public Assistance State Grants	\$ 419,115
State Incentive Programs	107
Grants	68,252
Total Job and Family Services Fund	<u>\$ 487,474</u>

Mental Retardation and Developmental Disabilities Fund

State Reimbursements	\$ 14,097
Homestead and Rollback	204,768
Total Mental Retardation and Developmental Disabilities Fund	<u>\$ 218,865</u>

Ottawa County Senior Programs Fund

Homestead and Rollback	\$ 21,785
Grants	12,853
Total Ottawa County Senior Programs Fund	<u>\$ 34,638</u>

Total Major Funds	<u>\$ 3,300,086</u>
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**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 8 – RECEIVABLES – (Continued)

Nonmajor Funds:

Dog - Grants	\$ 160
JAG Funding-Drug Task Force - Grants	2,730
Scrap Tire Grant - Grants	10,300
DOJ Homeland Security - Grants	86,528
Childrens Services - Grants	1,510
WIA - Grants	61,507
Child Support Enforcement - Grants	119,871
Ottawa County Transit Board - Grants	59,181
Hazard Mitigation Grant - Grants	1,850
Juvenile Court IV-E Reimbursements - Grants	49,000
CDGB Economic Development Revolving Loan - Grants	27,510
Victims of Crime - Grants	52,988
General Obligation Bonds - Homestead and Rollback	12,930
OCTA Design & Construction - Grants	<u>1,470,188</u>
Total Nonmajor Funds	<u>\$ 1,956,253</u>
Total Governmental Funds	<u>\$ 5,256,339</u>

Enterprise Funds:

<u>Riverview Nursing Home Fund</u>	
Medicaid and Medicare	\$ 789,565
Homestead and Rollback	<u>26,635</u>
Total Riverview Nursing Home Fund	<u><u>\$ 816,200</u></u>
 <u>Phase II Erie Township Sewer Fund</u>	
Grants	<u>\$ 101,767</u>
Total Phase II Erie Township Sewer Fund	<u><u>\$ 101,767</u></u>
Total Enterprise Funds	<u><u>\$ 917,967</u></u>

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 8 – RECEIVABLES – (Continued)

Agency Funds:

Local Government Funds	\$ 1,735,542
Local Government Revenue Assistance	191,474
Local Government Library	789,335
Gasoline Tax	508,455
Motor Vehicle Licenses	885,272
State of Ohio	114,801
Grants	<u>85,623</u>
Total Agency Funds	<u><u>\$ 4,310,502</u></u>

NOTE 9 - 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 policy was established in September 2007. Severance payments are based on the employee's rate of pay at the time of retirement, and on varying percentages of sick leave determined by years of service. An employee with 5 years of service will receive 25% of their sick leave balance, an employee with 15 years of service including 10 years with the County will receive 30% of their sick leave balance, an employee with 25 years of service including 15 with the County will receive 40% of their sick leave balance, and an employee with 30 years of service including 20 with the County will receive 50% of their sick leave balance. Upon retirement, an employee will receive a cash payment for their accumulated and unused sick leave based on the preceding criteria. Payment for severance shall be made only once to any employee.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 10 - CAPITAL ASSETS

A. Governmental Activities

Capital asset activity for the fiscal year ended December 31, 2007 was as follows:

<u>Governmental Activities:</u>	Balance <u>12/31/2006</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>12/31/2007</u>
<i>Capital asset not being depreciated:</i>				
Land	\$ 1,176,777	\$ -	\$ -	\$ 1,176,777
<i>Total capital assets not being depreciated:</i>	<u>1,176,777</u>	<u>-</u>	<u>-</u>	<u>1,176,777</u>
<i>Capital assets, being depreciated:</i>				
Buildings	18,329,197	1,986,106	(6,700)	20,308,603
Improvements other than Buildings	2,211,470			2,211,470
Roads	20,282,762	1,641,063		21,923,825
Bridges	6,622,209	1,759,269	(10,000)	8,371,478
Equipment	4,590,901	185,908	(225,942)	4,550,867
Vehicles	4,433,854	470,432	(16,948)	4,887,338
<i>Total capital assets, being depreciated:</i>	<u>56,470,393</u>	<u>6,042,778</u>	<u>(259,590)</u>	<u>62,253,581</u>
<i>Less: accumulated depreciation:</i>				
Buildings	(3,981,234)	(252,151)	6,700	(4,226,685)
Improvements other than Buildings	(369,705)	(111,624)		(481,329)
Roads	(9,158,992)	(535,412)		(9,694,404)
Bridges	(2,151,138)	(133,666)	10,000	(2,274,804)
Equipment	(2,315,315)	(384,217)	206,213	(2,493,319)
Vehicles	(2,763,838)	(289,172)	16,948	(3,036,062)
<i>Total accumulated depreciation</i>	<u>(20,740,222)</u>	<u>(1,706,242)</u>	<u>239,861</u>	<u>(22,206,603)</u>
<i>Total capital assets, being depreciated net</i>	<u>35,730,171</u>	<u>4,336,536</u>	<u>(19,729)</u>	<u>40,046,978</u>
Governmental activities capital assets, net	<u>\$ 36,906,948</u>	<u>\$ 4,336,536</u>	<u>\$ (19,729)</u>	<u>\$ 41,223,755</u>

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 10 - CAPITAL ASSETS – (Continued)

Depreciation expense was charged to the functions/programs of the governmental activities as follows:

Governmental Activities:

General government:

Legislative and executive	\$ 172,001
Judicial	76,472
Public safety	138,578
Public works	1,057,629
Health	6,986
Human services	215,732
Conservation and recreation	36,678
Economic development and assistance	<u>2,166</u>
Total depreciation expense	<u>\$ 1,706,242</u>

B. Business-Type Activities

Capital asset activity for the fiscal year ended December 31, 2007 was as follows:

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 10 - CAPITAL ASSETS – (Continued)

<u>Business-Type Activities:</u>	<u>Balance 12/31/2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2007</u>
<i>Capital asset not being depreciated:</i>				
Land	\$ 4,489,565		\$ -	\$ 4,489,565
Construction in progress	<u>6,331,342</u>	<u>1,544,647</u>	<u>\$(6,067,439)</u>	<u>1,808,550</u>
<i>Total capital assets not being depreciated:</i>	<u>10,820,907</u>	<u>1,544,647</u>	<u>(6,067,439)</u>	<u>6,298,115</u>
<i>Capital assets, being depreciated:</i>				
Buildings	17,942,535	43,874		17,986,409
Improvements other than Buildings	22,517,384	20,929		22,538,313
Water and Sewer Lines	107,386,301	8,322,931		115,709,232
Equipment	26,837,388	359,072	(84,045)	27,112,415
Vehicles	<u>962,994</u>	<u>-</u>	<u>(35,000)</u>	<u>927,994</u>
<i>Total capital assets, being depreciated:</i>	<u>175,646,602</u>	<u>8,746,806</u>	<u>(119,045)</u>	<u>184,274,363</u>
<i>Less: accumulated depreciation:</i>				
Buildings	(3,373,872)	(318,359)		(3,692,231)
Improvements other than Buildings	(5,134,153)	(462,903)		(5,597,056)
Water and Sewer Lines	(23,309,327)	(2,169,769)		(25,479,096)
Equipment	(10,713,476)	(1,067,420)	18,490	(11,762,406)
Vehicles	<u>(739,907)</u>	<u>(47,626)</u>	<u>35,000</u>	<u>(752,533)</u>
<i>Total accumulated depreciation</i>	<u>(43,270,735)</u>	<u>(4,066,077)</u>	<u>53,490</u>	<u>(47,283,322)</u>
<i>Total capital assets, being depreciated net</i>	<u>132,375,867</u>	<u>4,680,729</u>	<u>(65,555)</u>	<u>136,991,041</u>
Business-type activities capital assets, net	<u>\$ 143,196,774</u>	<u>\$ 6,225,376</u>	<u>\$(6,132,994)</u>	<u>\$ 143,289,156</u>

Depreciation expense was charged to the enterprise funds as follows:

Business-Type Activities:

Major Funds:

Riverview Nursing Home	\$ 139,433
Danbury Sewer Operations	928,953
Regional Water Operations	1,681,680
Catawba Portage Sewer	1,183,300

Nonmajor Funds:

Portage Catawba Water	589
Sewer District #13	<u>132,122</u>

Total depreciation expense \$ 4,066,077

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 11 - LONG-TERM OBLIGATIONS

A. Long-term obligation activity for the fiscal year ended December 31, 2007, was as follows:

<u>Governmental Activities:</u>	<u>Interest Rate</u>	<u>Balance 12/31/06</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/07</u>	<u>Amount Due in One Year</u>
<u>General Obligation Bonds:</u>						
1984 Welfare (original amount \$350,000)	9.75%	\$ 30,000		\$ (10,000)	\$ 20,000	\$ 10,000
1998 Welfare Building Refunding (original amount \$220,000)	4.25-5.50	90,000		(16,000)	74,000	15,000
1998 Agriculture Building (original amount \$1,250,000)	4.25-5.50	630,000		(75,000)	555,000	80,000
2003 County / City Complex Bond premium Accounting loss (original amount \$1,385,000)	3.63	1,105,000 43,629 (97,380)		(75,000) (2,961) 6,609	1,030,000 40,668 (90,771)	80,000
2003 Industrial Park Improvements Bond premium Accounting loss (original amount \$510,000)	3.64	555,000 22,218 (51,553)		(40,000) (1,601) 3,716	515,000 20,617 (47,837)	40,000
2003 Airport Improvements Bond premium Accounting loss (original amount \$695,000)	3.63	415,000 16,715 (39,918)		(30,000) (1,208) 2,886	385,000 15,507 (37,032)	30,000
2003 Community Resource Center Bond premium (original amount \$3,060,000)	4.18	2,675,000 32,198		(85,000) (1,023)	2,590,000 31,175	90,000
2003 Port Authority Improvements Bond premium (original amount \$605,000)	3.19	435,000 44,862		(45,000) (4,641)	390,000 40,221	45,000
2003 Airport Improvements Bond premium (original amount \$465,000)	3.96	385,000 10,070		(20,000) (523)	365,000 9,547	20,000
2006 MRDD Facility Bonds Bond premium (original amount \$2,020,000)	4.00-4.40	2,020,000 1,003		(70,000) (50)	1,950,000 953	70,000
2006 Riverview Industries Building Bond premium (original amount \$950,000)	4.00-4.40	950,000 472		(30,000) (24)	920,000 448	35,000
Total General Obligation Bonds		<u>9,272,316</u>	<u>-</u>	<u>(494,820)</u>	<u>8,777,496</u>	<u>515,000</u>

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 11 - LONG-TERM OBLIGATIONS – (Continued)

<u>Governmental Activities:</u>	<u>Interest Rate</u>	<u>Balance 12/31/06</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/07</u>	<u>Amount Due in One Year</u>
<u>Special Assessment Bonds:</u>						
1991 LaCarne Water (original amount \$45,000)	7.00	\$ 11,400		\$ (2,300)	\$ 9,100	\$ 2,300
1995 Gypsum Sewer (original amount \$112,769)	4.50	50,700		(5,600)	45,100	5,700
1998 Lake In The Woods (original amount \$213,000)	4.25-5.50	37,000		(19,000)	18,000	18,000
1998 Catawba Sewer Refunding (original amount \$8,395,000)	4.25-5.50	3,565,000		(650,000)	2,915,000	680,000
1998 State Route 163 Refunding (original amount \$209,000)	4.25-5.50	90,000		(16,000)	74,000	15,000
1998 Route 269 Sewer Refunding (original amount \$68,000)	4.25-5.50	32,000		(5,000)	27,000	5,000
		<u>3,786,100</u>	<u>-</u>	<u>(697,900)</u>	<u>3,088,200</u>	<u>726,000</u>
Total Special Assessment Bonds						
<u>OWDA Loans:</u>						
1998 Dani-Donn (original amount \$47,710)	5.54	35,442		(2,043)	33,399	2,155
1999 Perryview Estates (original amount \$127,826)	6.13	101,631		(5,022)	96,609	5,335
1999 Regional Water (original amount \$17,942,681)	4.02	13,587,991		(775,540)	12,812,451	807,029
		<u>13,725,064</u>	<u>-</u>	<u>(782,605)</u>	<u>12,942,459</u>	<u>814,519</u>
Total OWDA Loans						
<u>OPWC Loans:</u>						
2007 Port Clinton Eastern Road (original amount \$157,431)			\$ 157,431		157,431	14,497
2007 Port Clinton Eastern Road (original amount \$382,692)			382,692		382,692	27,069
		<u>-</u>	<u>540,123</u>	<u>-</u>	<u>540,123</u>	<u>41,566</u>
Total OPWC Loans						
<u>Other Long-Term Obligations:</u>						
Capital Leases		48,095		(16,344)	31,751	14,733
Compensated Absences		<u>1,597,280</u>	<u>927,790</u>	<u>(916,487)</u>	<u>1,608,583</u>	<u>1,012,375</u>
Total Other Long-Term Obligations		<u>1,645,375</u>	<u>927,790</u>	<u>(932,831)</u>	<u>1,640,334</u>	<u>1,027,108</u>
Total Governmental Activities		<u>\$ 28,428,855</u>	<u>\$ 1,467,913</u>	<u>\$ (2,908,156)</u>	<u>\$ 26,988,612</u>	<u>\$ 3,124,193</u>

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 11 - LONG-TERM OBLIGATIONS – (Continued)

<u>Business-Type Activities:</u>	<u>Interest Rate</u>	<u>Balance 12/31/06</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/07</u>	<u>Amount Due in One Year</u>
<u>General Obligation Bonds:</u>						
1993 Danbury Sanitary Sewer System						
Capital Appreciation Bonds	5.75-5.85	\$ 386,464		\$ (199,477)	\$ 186,987	\$ 186,987
Accreted Interest (original amount \$1,061,625)	4.25-5.50	448,687	\$ 49,354	(255,523)	242,518	
1998 Danbury Sewer (original amount \$444,000)	4.25	204,000		(30,000)	174,000	30,000
1998 County Home Refunding (original amount \$862,000)	4.25	362,000		(63,000)	299,000	71,000
1998 Catawba Portage Sanitary Sewer (original amount \$3,445,000)	4.25	2,360,000		(165,000)	2,195,000	165,000
1998 Catawba Portage Sanitary Sewer Accounting Loss (original amount \$5,055,000)	5.00	5,055,000 (459,058)		18,362	5,055,000 (440,696)	
1998 Portage Catawba Water (original amount \$379,000)	4.25	160,000		(31,000)	129,000	31,000
1999 Regional Water Development (original amount \$2,000,000)	4.75	1,811,600		(32,300)	1,779,300	33,800
2003 Danbury Sewer Refunding Bond Discount Accounting Loss (original amount \$3,355,000)	3.30	3,275,000 (27,107) (91,394)		(35,000) 289 976	3,240,000 (26,818) (90,418)	35,000
2003 County Home Refunding Bond Premium Accounting Loss (original amount \$3,650,000)	3.07	2,570,000 55,715 (277,826)		(295,000) (6,395) 31,890	2,275,000 49,320 (245,936)	295,000
2003 Catawba Portage Sewer Station Bond Premium Accounting Loss (original amount \$245,000)	3.66	200,000 8,490 (18,138)		(10,000) (425) 907	190,000 8,065 (17,231)	15,000
2006 County Home Improvements Bond Premium (original amount \$965,000)	4.00-4.25	965,000 479		(80,000) (48)	885,000 431	85,000
Total General Obligation Bonds		<u>16,988,912</u>	<u>49,354</u>	<u>(1,150,744)</u>	<u>15,887,522</u>	<u>947,787</u>
<u>Special Assessment Bonds:</u>						
2005 Sanitary Sewer Improvements (original amount \$815,000)	5.00	793,000		(401,000)	392,000	14,000
Total Special Assessment Bonds		<u>793,000</u>	<u>-</u>	<u>(401,000)</u>	<u>392,000</u>	<u>14,000</u>

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 11 - LONG-TERM OBLIGATIONS – (Continued)

<u>Business-Type Activities:</u>	Interest Rate	Balance 12/31/06	Additions	Reductions	Balance 12/31/07	Amount Due in One Year
<u>OWDA Loans:</u>						
1997 Danbury Sanitary Sewer (original amount \$1,246,205)	3.04%	\$ 776,853		\$ (60,458)	\$ 716,395	\$ 62,310
1997 Regional Water (original amount \$29,991,085)	2.00	23,030,204		(1,075,539)	21,954,665	1,097,050
2001 Camp Perry Western Road (original amount \$17,145)	5.74	14,779		(613)	14,166	648
2004 Danbury Township Wastewater (original amount \$4,632,743)	3.76	4,595,775		(148,860)	4,446,915	190,976
2004 Golf Lane Waterline (original amount \$69,018)	4.56	65,719		(2,326)	63,393	2,434
2004 Water Plant Expansion (original amount \$3,065,360)	4.51	3,177,669		(58,297)	3,119,372	60,955
2006 South Bass Island Waterline (original amount \$968,848)	2.00	16,359	\$ 952,489		968,848	19,819
2007 Sewer Construction (original amount \$245,936)	3.82		245,936	(4,152)	241,784	8,543
Total OWDA Loans		<u>31,677,358</u>	<u>1,198,425</u>	<u>(1,350,245)</u>	<u>31,525,538</u>	<u>1,442,735</u>
<u>OPWC Loans:</u>						
1992 Danbury Sanitary Sewer (original amount \$486,780)	4.00	188,184		(28,342)	159,842	29,488
1994 Portage Catawba Island WWTP (original amount \$168,000)	4.00	83,386		(9,037)	74,349	9,402
1999 Danbury Sewer (original amount \$169,741)	0.00	106,088		(8,487)	97,601	8,487
1999 Allen / Clay Sanitary Sewer (original amount \$23,035)	0.00	14,397		(1,152)	13,245	1,151
2003 Gypsum Water Replacements (original amount \$83,933)	0.00	71,343		(4,197)	67,146	4,196
2003 Clay Center Sanitary Sewer (original amount \$222,352)	0.00	200,117		(11,117)	189,000	11,118
2004 Regional Water System Repair (original amount \$174,000)	0.00	160,950		(8,700)	152,250	8,700
2004 State Road Sanitary Sewer (original amount \$133,798)	0.00	127,108		(6,690)	120,418	6,690
2005 State Road Sewer (original amount \$37,448)	0.00	51,499		(2,575)	48,924	2,575
2006 S.R. 269 Sanitary Sewer Main (original amount \$143,018)	0.00	143,018		(7,151)	135,867	7,151
Total OPWC Loans		<u>1,146,090</u>	<u>-</u>	<u>(87,448)</u>	<u>1,058,642</u>	<u>88,958</u>

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 11 - LONG-TERM OBLIGATIONS – (Continued)

<u>Business-Type Activities:</u>	<u>Interest Rate</u>	<u>Balance 12/31/06</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/07</u>	<u>Amount Due in One Year</u>
<u>Ohio Water & Sewer Loans:</u>						
1991 Portage Catawba Water (original amount \$185,855)	0.00%	\$ 72,766			\$ 72,766	
1992 Danbury Sewer (original amount \$216,741)	0.00	87,862			87,862	
1992 Catawba Portage Sewer (original amount \$28,662)	0.00	9,219			9,219	
1999 Regional Water (original amount \$1,108,668)	0.00	966,718		\$ (2,016)	964,702	
2001 Camp Perry Western Road (original amount \$37,929)	0.00	28,436			28,436	
2004 Clay Center (original amount \$13,128)	0.00	13,128			13,128	
2005 State Road Sewer (original amount \$28,990)	0.00	28,990			28,990	
Total Ohio Water & Sewer Loans		<u>1,207,119</u>	<u>-</u>	<u>(2,016)</u>	<u>1,205,103</u>	<u>-</u>
<u>OEPA Loans:</u>						
1999 Regional Water (original amount \$3,274,564)	4.02	2,479,826		(141,537)	2,338,289	\$ 147,284
Total OEPA Loans		<u>2,479,826</u>	<u>-</u>	<u>(141,537)</u>	<u>2,338,289</u>	<u>147,284</u>
<u>Other Long-Term Obligations:</u>						
Compensated Absences		471,964	\$ 363,563	(348,355)	487,172	351,147
Total Other Long-Term Obligations		<u>471,964</u>	<u>363,563</u>	<u>(348,355)</u>	<u>487,172</u>	<u>351,147</u>
Total Business-Type Activities		<u>\$ 54,764,269</u>	<u>\$ 1,611,342</u>	<u>\$ (3,481,345)</u>	<u>\$ 52,894,266</u>	<u>\$ 2,991,911</u>

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 11 - LONG-TERM OBLIGATIONS – (Continued)

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:

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

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

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

<u>Year</u>	<u>Amount</u>
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.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 11 - LONG-TERM OBLIGATIONS – (Continued)

The bonds maturing on September 1, 2009, are subject to option 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.

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.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 11 - LONG-TERM OBLIGATIONS – (Continued)

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:

<u>Year</u>	<u>Amount</u>
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.

2006 Various Improvement Bonds

On June 28, 2006, the County issued \$3,935,000 in general obligation bonds with interest rates from 4.00 percent to 4.40 percent. These bonds were issued for constructing a new building for Mentally Retarded and Developmentally Disabled, Riverview Industries building improvements, and various County building improvements.

The bonds maturing on December 1, 2018, are subject to mandatory sinking fund redemption on December 1, 2017, at a redemption price of 100 percent of the principal redeemed plus accrued interest to the redemption dates in the principal amounts and in the years as follows:

<u>Year</u>	<u>Amount</u>
2017	\$ 145,000

Unless otherwise called for redemption, the remaining principal, in the amount of \$155,000, is payable at stated maturity.

The bonds maturing on December 1, 2020, are subject to mandatory sinking fund redemption on December 1, 2019, at a redemption price of 100 percent of the principal redeemed plus accrued interest to the redemption dates in the principal amounts and in the years as follows:

<u>Year</u>	<u>Amount</u>
2019	\$ 160,000

Unless otherwise called for redemption, the remaining principal, in the amount of \$165,000, is payable at stated maturity.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 11 - LONG-TERM OBLIGATIONS – (Continued)

The bonds maturing on December 1, 2022, are subject to mandatory sinking fund redemption on December 1, 2021, at a redemption price of 100 percent of the principal redeemed plus accrued interest to the redemption dates in the principal amounts and in the years as follows:

<u>Year</u>	<u>Amount</u>
2021	\$ 175,000

Unless otherwise called for redemption, the remaining principal, in the amount of \$180,000, is payable at stated maturity.

The bonds maturing on December 1, 2024, are subject to mandatory sinking fund redemption on December 1, 2023, at a redemption price of 100 percent of the principal redeemed plus accrued interest to the redemption dates in the principal amounts and in the years as follows:

<u>Year</u>	<u>Amount</u>
2023	\$ 190,000

Unless otherwise called for redemption, the remaining principal, in the amount of \$195,000, is payable at stated maturity.

The bonds maturing on December 1, 2026, are subject to mandatory sinking fund redemption on December 1, 2025, at a redemption price of 100 percent of the principal redeemed plus accrued interest to the redemption dates in the principal amounts and in the years as follows:

<u>Year</u>	<u>Amount</u>
2025	\$ 205,000

Unless otherwise called for redemption, the remaining principal, in the amount of \$215,000, is payable at stated maturity.

The bonds maturing on December 1, 2018 and thereafter shall be subject to optional redemption, in whole or in part, on any date, in any order of maturity as determined by the County and by lot within a maturity at the option of the County on or after December 1, 2016, at par, which is 100 percent of the face value of the bonds.

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, 2007
(Continued)**

NOTE 11 - 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 Disability, 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 Lease Obligation

Capital lease obligations will be paid from the fund that maintains the related asset. See Note 13.

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:

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

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

The bonds maturing on October 1, 2003, are subject to 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:

<u>Redemption Dates (Dates Inclusive)</u>	<u>Redemption Prices</u>
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, 2007
(Continued)**

NOTE 11 - 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. Relating to the 1993 Danbury Sanitary Sewer System Refunding Bonds, restricted assets held by the trustee at December 31, 2007 were as follows:

Revenue Bond Current Debt Service	\$ 1,340,737
Revenue Bond Future Debt Service	583,584
Repairs and Replacements	1,116,290

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:

<u>Year</u>	<u>Amount</u>
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:

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

Fund assets, whose use are restricted under the bond indenture, are presented as restricted assets on the statement of fund net assets. Relating to the Catawba Portage Sanitary Sewer Revenue Refunding Bonds, restricted assets held by the trustee at December 31, 2007, were as follows:

Revenue Bond Current Debt Service	\$ 179,748
Revenue Bond Future Debt Service	111,517
Repairs and Replacements	1,503,732

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 11 - LONG-TERM OBLIGATIONS – (Continued)

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, 2007, \$8,290,600 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. The 2006 South Bass Island Waterline loan was closed during fiscal 2007. At year-end, final disbursements have not been made from OWDA for this loan; therefore, it is not presented in the schedule of future annual debt service requirements below.

OPWC Loans

OPWC loans consist of monies owed to the Ohio Public Works Commission for water projects and the improvement and replacement of sanitary sewers. OPWC loans are payable solely from the gross revenues of the enterprise funds. The 2005 State Road Sewer loan was closed during fiscal 2007. At year-end, final disbursements have not been made from OPWC for this loan; therefore, it is not presented in the schedule of future annual debt service requirements below.

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.

Legal Debt Margin

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 Ohio 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.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 11 - LONG-TERM OBLIGATIONS – (Continued)

The assessed valuation used in determining the County's legal debt margins has been modified by House Bill 530, which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the County's legal debt margin calculations excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations.

The effects of these debt limitations at December 31, 2007, are a legal voted debt margin of \$29,748,575 (including available funds of \$1,757,241) and a legal unvoted debt margin of \$8,287,277.

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

Year Ended	General Obligation Bonds		Special Assessment Bonds	
	Principal	Interest	Principal	Interest
2008	\$ 515,000	\$ 366,383	\$ 726,000	\$ 154,901
2009	530,000	349,304	742,800	122,174
2010	535,000	331,553	772,900	87,958
2011	549,000	311,649	818,000	45,470
2012	555,000	291,297	11,600	1,313
2013 - 2017	2,535,000	1,127,222	16,900	1,521
2018 - 2022	1,900,000	601,745		
2023 - 2027	1,675,000	204,242	-	-
Total	<u>\$ 8,794,000</u>	<u>\$ 3,583,395</u>	<u>\$ 3,088,200</u>	<u>\$ 413,337</u>

Year Ended	OWDA Loans		OPWC Loans	
	Principal	Interest	Principal	Interest
2008	\$ 814,519	\$ 514,722	\$ 41,566	\$ -
2009	847,740	481,503	41,566	
2010	882,319	446,925	41,566	
2011	918,309	410,933	41,566	
2012	955,773	373,469	41,566	
2013 - 2017	5,396,675	1,249,538	207,830	
2018 - 2022	3,127,124	191,976	124,463	-
Total	<u>\$ 12,942,459</u>	<u>\$ 3,669,066</u>	<u>\$ 540,123</u>	<u>\$ -</u>

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 11 - LONG-TERM OBLIGATIONS – (Continued)

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

Year Ended	General Obligation Bonds		Special Assessment Bonds	
	Principal	Interest	Principal	Interest
2008	\$ 947,787	\$ 935,696	\$ 14,000	\$ 18,707
2009	1,250,400	666,548	15,000	18,040
2010	1,342,000	625,819	16,000	17,326
2011	1,309,900	575,361	16,000	16,565
2012	1,269,700	528,323	17,000	15,803
2013 - 2017	3,779,300	1,992,125	100,000	65,926
2018 - 2022	1,855,600	1,434,475	125,000	39,746
2023 - 2027	2,187,700	943,337	89,000	8,664
2028 - 2032	2,245,100	347,246		
2033 - 2034	220,800	15,855	-	-
Total	\$ 16,408,287	\$ 8,064,785	\$ 392,000	\$ 200,777

Year Ended	OWDA Loans		OPWC Loans		OEPA Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 1,442,735	\$ 788,341	\$ 88,958	\$ 8,983	\$ 147,284	\$ 92,534
2009	1,497,509	763,077	90,531	7,411	153,264	86,553
2010	1,533,592	726,992	92,162	5,777	159,487	80,330
2011	1,570,641	689,943	93,865	4,076	165,963	73,854
2012	1,608,682	651,903	95,634	2,307	172,702	67,116
2013 - 2017	8,650,888	2,652,035	273,728	1,181	974,567	224,521
2018 - 2022	9,320,519	1,563,584	216,608		565,022	34,523
2023 - 2027	4,676,874	500,966	107,156			
2028 - 2032	843,854	190,450				
2033 - 2034	380,244	21,676	-	-	-	-
Total	\$ 31,525,538	\$ 8,548,967	\$ 1,058,642	\$ 29,735	\$ 2,338,289	\$ 659,431

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 11 - LONG-TERM OBLIGATIONS – (Continued)

Industrial Revenue Bonds

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

	<u>Amount of Issuance</u>	<u>Amount Outstanding at 12/31/07</u>
Adrian Sand and Stone, Inc.	\$ 5,000,000	\$ 420,000
Luther Home of Mercy	5,200,000	3,230,000
Otterbein Home	85,555,000	65,285,000
Ottawa Residential Services	4,043,000	3,589,000
Magruder Hospital	6,700,000	4,725,000

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 12 - NOTES PAYABLE

The changes in the County's notes payable during 2007 were as follows:

<u>Bond Anticipation Notes</u>	<u>Interest Rate</u>	<u>Balance at 12/31/2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 12/31/2007</u>
<u>Business-Type Activities</u>					
2006 PCI Project Sanitary Sewer	4.00%	\$ 450,000		\$ (450,000)	
2006 Phase IV Allen / Clay Sewer	4.00%	625,000		(625,000)	
2006 Water System Improvements	4.00%	450,000		(450,000)	
2007 Water System Improvements	4.00%	-	\$ 665,000	-	\$ 665,000
Total Business-Type Activities		<u>\$ 1,525,000</u>	<u>\$ 665,000</u>	<u>\$ (1,525,000)</u>	<u>\$ 665,000</u>

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

On February 8, 2006, the County issued a bond anticipation note in the amount of \$450,000 in order to provide financial resources for sanitary sewer system improvements. This note matured on February 7, 2007, carried an interest rate of 4.00%, and was repaid from the Catawba Portage Sewer enterprise fund.

On February 8, 2006, the County issued a bond anticipation note in the amount of \$625,000 in order to provide financial resources for sanitary sewer system improvements. This note matured on February 7, 2007, carried an interest rate of 4.00%, and was repaid from the Sewer District Reserve enterprise fund.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 12 - NOTES PAYABLE – (Continued)

On August 29, 2006, the County issued a bond anticipation note in the amount of \$450,000 in order to provide financial resources for water system improvements. This note matured on August 28, 2007, carried an interest rate of 4.00%, and was repaid from the P-I-B Water/Wastewater Plan enterprise fund.

On September 13, 2007, the County issued a bond anticipation note in the amount of \$665,000 in order to provide financial resources for water system improvements. This note matures on September 11, 2008, carries an interest rate of 4.00%, and will be repaid from the Regional Water Operations enterprise fund.

NOTE 13 - CAPITAL LEASES

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 2007 were \$16,344 for governmental funds.

	Governmental Activities
Equipment	\$ 90,196
Less: Accumulated Depreciation	(32,412)
Carrying Value, December 31, 2007	57,784

The following is a schedule of the further minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2007.

Year Ended	Governmental Activities	
	Principal	Interest
2008	\$ 14,733	\$ 1,515
2009	8,671	881
2010	7,660	292
2011	687	6
Total	\$ 31,751	\$ 2,694

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 14 - RISK MANAGEMENT

A. General Insurance

The County 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 2007, the County contracted with County Risk Sharing Authority (CORSA) for liability, property and crime insurance. The CORSA program has a \$2,500 deductible. Coverages provided by CORSA are as follows:

<u>Type of Coverage</u>	<u>Amount</u>
General Liability	\$ 1,000,000
Excess Liability	5,000,000
Law Enforcement Professional Liability	1,000,000
Automobile Liability and Physical Damage:	
Liability	1,000,000
Uninsured Motorist	250,000
Public Officials Errors and Omissions	1,000,000
Ohio Stop Gap (Additional Workers' Compensation Coverage)	1,000,000
Building and Contents	103,344,819
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
Flow and Earthquake	100,000,000
Comprehensive Boiler and Machinery	100,000,000
Crime	1,000,000

With the exceptions of medical coverage and workers' compensation, all insurance is held with CORSA (see Note 2). There has been no significant reduction in coverage from prior year, and settled claims have not exceeded limits of coverage in the past three years. The County pays all elected officials' bonds in accordance with statute.

B. Workers Compensation

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.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 14 - RISK MANAGEMENT – (Continued)

C. Medical Insurance

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 \$1,000,000 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, 2007, was estimated by the third party administrator at \$576,604.

The changes in the claims liability for 2007 and 2006 were:

<u>Year Liability</u>	<u>Beginning Balance</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2007	\$ 403,459	\$ 4,086,913	\$ 3,913,768	\$ 576,604
2006	380,230	3,194,633	3,171,404	403,459

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 15 - PENSION PLAN

Ohio Public Employees Retirement System

Plan Description - The County participates 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 the retirement system 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. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional pension 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 stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2007, members in state and local classifications contributed 9.5% of covered payroll, public safety members contributed 9.75%, and law enforcement members contributed 10.1%.

The County's contribution rate for 2007 was 13.85 percent, except for those plan members in law enforcement or public safety, for whom the County's contribution was 17.17 percent of covered payroll. For the period January 1 through June 30, a portion of the County's contribution equal to 5 percent of covered payroll was allocated to fund the post-employment health care plan; for the period July 1 through December 31, 2007 this amount was increased to 6 percent. Employer contribution rates are actuarially determined. State Statute sets a maximum contribution rate for the County of 14 percent, except for public safety and law enforcement, where the maximum employer contribution rate is 18.1 percent.

The County's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006, and 2005, were \$1,787,528, \$1,904,777, and \$1,944,446, respectively; 88.83% has been contributed for 2007 and 100% has been contributed for 2006 and 2005.

The unpaid contribution to fund pension obligations for 2007, in the amount of \$199,668, is recorded as a liability.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 16 - POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

Plan Description - OPERS maintains a cost sharing multiple employer defined benefit post-employment health care plan for qualifying members of both the traditional and combined pension plans. Members of the member directed plan do not qualify for ancillary benefits, including post-employment health care. The plan includes a medical plan, a prescription drug program and Medicare Part b premium reimbursement.

To qualify for post-employment health care coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). State statute requires that public employers fund post-employment health care through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2007, local government employers contributed 13.85 percent of covered payroll (17.17 percent for public safety and law enforcement). Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. The amount of the employer contributions which was allocated to fund post-employment health care was 5.00 percent of covered payroll from January 1 through June 30, 2007, and 6.00 percent from July 1 to December 31, 2007.

The retirement board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The County's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2007, 2006, and 2005, were \$1,177,414, \$799,807, and \$788,300 respectively; 88.83% has been contributed for 2007 and 100% has been contributed for 2006 and 2005.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan which was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund and major 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:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as payables (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund and major special revenue funds are as follows:

Net Change in Fund Balances

	Governmental Funds				
	General	Road and Bridge	Job and Family Services	MRDD	County Senior Programs
Budget basis	\$ (810,995)	\$ (1,064,409)	\$ 503,683	\$ (56,937)	\$ (59,312)
Net adjustment for revenue accruals	287,523	25,172	50,927	120,738	(1,256)
Net adjustment for expenditure accruals	(173,924)	(110,319)	(407,219)	(475,637)	(64,302)
Net adjustment for other financing sources/(uses)	18,668				(216)
Encumbrances (budget-basis)	<u>403,101</u>	<u>1,313,726</u>	<u>153,132</u>	<u>295,179</u>	<u>101,370</u>
GAAP basis	<u>\$ (275,627)</u>	<u>\$ 164,170</u>	<u>\$ 300,523</u>	<u>\$ (116,657)</u>	<u>\$ (23,716)</u>

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 18 - CONTINGENCIES

A. Grants

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 disallowance, if any, will be immaterial.

B. Litigation

Several claims and lawsuits are pending against the County. In the opinion of the County Prosecutor, no liability is anticipated in excess of insurance coverage.

NOTE 19 - CONTRACTUAL COMMITMENTS

The County had the following contractual commitments outstanding as of December 31, 2007:

<u>Contractor</u>	<u>Contractual Commitment</u>	<u>Contract Balance</u>
Poggemeyer Design Group	\$ 581,185	\$ 160,187
Brunkhorst Engineering	240,700	44,411
Speer Brothers, Inc.	1,073,596	663,216
Metcalf & Eddy	381,732	316,957
Kwest Group, LLC	2,303,880	2,303,880
Underground Utilities, Inc.	<u>644,303</u>	<u>72,899</u>
Total	<u>5,225,396</u>	<u>3,561,550</u>

NOTE 20 - RELATED PARTY TRANSACTIONS

During 2007, 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 \$213,962 for such contributions.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 21 - RIVERVIEW INDUSTRIES, INC.

A. Summary of Significant Accounting Policies

Reporting Entity

Riverview Industries (the "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.

Measurement Focus and Basis of Accounting

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

B. Deposits and Investments

The carrying amount of Riverview Industries' deposits at year end was \$749,176 and the bank balance was \$818,813. Of the bank balance, \$500,000 was covered by federal depository insurance and \$318,813 was uninsured and uncollateralized. There are no significant statutory restrictions regarding the deposit and investment of funds by the not-for-profit corporation.

C. 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, 2007
(Continued)**

NOTE 21 - RIVERVIEW INDUSTRIES, INC. – (Continued)

Capital asset activity for the year ended December 31, 2007, was as follows:

	Balance December 31, <u>2006</u>	<u>Additions</u>	<u>Reductions</u>	Balance December 31, <u>2007</u>
Buildings	\$ 14,660	\$ 10,500	\$ (12,369)	\$ 12,791
Building Improvements	11,397			11,397
Furniture and Fixtures	74,687	7,561		82,248
Equipment	66,281	47,766		114,047
Vehicles	<u>98,211</u>	<u>12,350</u>	<u>-</u>	<u>110,561</u>
Total Depreciable Capital Assets	265,236	78,177	(12,369)	331,044
Less: Accumulated Depreciation	<u>(153,362)</u>	<u>(41,018)</u>	<u>2,934</u>	<u>(191,446)</u>
Total Depreciable Capital Assets, Net	<u>\$ 111,874</u>	<u>\$ 37,159</u>	<u>\$ (9,435)</u>	<u>\$ 139,598</u>

D. Risk Management

The 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 2007, the 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.

E. 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.

F. Debt

The Industries' long-term obligations activity for the year ended December 31, 2007, was as follows:

	Balance December 31, <u>2006</u>	<u>Additions</u>	<u>Reductions</u>	Balance December 31, <u>2007</u>	Amount Due Within <u>One Year</u>
Line of Credit	\$ 28,000			\$ 28,000	
Compensated Absences	75,580	\$ 32,739		108,319	
Capital Lease	<u>-</u>	<u>26,113</u>	<u>\$ (5,391)</u>	<u>20,722</u>	<u>\$ 7,816</u>
	<u>\$ 103,580</u>	<u>\$ 58,852</u>	<u>\$ (5,391)</u>	<u>\$ 157,041</u>	<u>\$ 7,816</u>

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 21 - 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 the 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. The Industries is required to replenish the funds at such time when its profitability moves ahead of planned levels. As of December 31, 2007, \$28,000 of the line of credit had been drawn down and was outstanding.

G. Capital Leases

The 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 2007 were \$5,391.

Equipment	\$ 47,113
Less: Accumulated Depreciation	<u>(23,611)</u>
Carrying Value, December 31, 2007	<u>\$ 23,502</u>

H. Significant Concentration of Business with Customer

One company provides approximately 37.7 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.

NOTE 22 - SIGNIFICANT SUBSEQUENT EVENT

On September 5, 2008, the County issued \$8.6 million in bond debt. These bonds have an average interest rate of 4.37%, compared to the previous average interest rate of 5.06%, which will save the County more than \$256,000 over the life of the bonds. These bonds are a mixture of long-term and short-term bonds, and the bond proceeds will be used to refinance outstanding bond debt and to pay for water and sewer projects in the County.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2007**

FEDERAL GRANTOR Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed Through Ohio Department of Development			
Community Development Block Grants	B-E-05-057-1	14.228	\$ 307,561
	B-E-06-057-1		305,000
	B-F-05-057-1		9,656
	B-F-06-057-1		64,478
Community Development Block Grants Revolving Loans	N/A		10,297
Total - Community Development Block Grants			<u>696,992</u>
Home Investment Partnerships Program	B-C-04-057-2	14.239	<u>100,612</u>
Total - Department of Housing and Urban Development			<u>797,604</u>
UNITED STATES DEPARTMENT OF JUSTICE			
Passed Through Ohio Department of Youth Services			
Juvenile Accountability Block Grants	2005-JB-013-B044	16.523	22,583
Passed Through Ohio Attorney General's Office			
Crime Victim Assistance	2007-VAGene248	16.575	27,982
	2008-VAGene248		8,499
Total - Crime Victim Assistance			<u>36,481</u>
Passed Through Drug Task Force - Erie County			
Edward Byrne Memorial Justice Assistance Grant Program	2005-JF-AOV-V6573	16.738	<u>43,200</u>
Total - Department of Justice			<u>102,264</u>
UNITED STATES DEPARTMENT OF LABOR			
Passed Through Workforce Investment Act, Area 7			
<u>Workforce Investment Act (WIA) Cluster:</u>			
Workforce Investment Act - Adult Program (FY 06)	n/a	17.258	85,126
Workforce Investment Act - Adult - Administrative (FY 06)			1,878
Workforce Investment Act - Adult Program (PY 06)			28,876
Workforce Investment Act - Adult - Administrative (PY 06)			(2,172)
Workforce Investment Act - Adult Program (FY 07)			82,941
Workforce Investment Act - Adult - Administrative (FY 07)			10,426
Workforce Investment Act - Adult Program (PY 07)			55,183
Workforce Investment Act - Adult Program (FY 08)			56,230
Total - Workforce Investment Act - Adult			<u>318,488</u>
Workforce Investment Act - Youth Program (PY 05)	n/a	17.259	24,711
Workforce Investment Act - Youth Program (PY 06)			57,355
Workforce Investment Act - Youth Program (PY 07)			41,446
Total - Workforce Investment Act - Youth			<u>123,512</u>

(Continued)

**FINANCIAL CONDITION
OTTAWA COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

FEDERAL GRANTOR Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
Workforce Investment Act - Dislocated Worker (FY 06)	n/a	17.260	5,248
Workforce Investment Act - Dislocated - Administrative (FY 06)			3,136
Workforce Investment Act - Dislocated Worker (PY 06)			(14,243)
Workforce Investment Act - Dislocated - Administrative (PY 06)			(3,186)
Workforce Investment Act - Dislocated Worker (FY 07)			136,521
Workforce Investment Act - Dislocated - Administrative (FY 07)			11,905
Workforce Investment Act - Dislocated Worker (PY 07)			11,559
Workforce Investment Act - Dislocated Worker (FY 08)			9,995
Total - Workforce Investment Act - Dislocated Worker			<u>160,935</u>
<i>Total - WIA Cluster</i>			<u>602,935</u>
Total - Department of Labor			<u>602,935</u>
UNITED STATES DEPARTMENT OF TRANSPORTATION			
<i>Passed Through Ohio Department of Transportation</i>			
Formula Grants for Other Than Urbanized Areas	0062-024-053	20.509	1,031,291
	4062-026-071		305,031
	0062-026-072		263,333
Total - Department of Transportation			<u>1,599,655</u>
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through Area Office on Aging</i>			
Special Programs for the Aging - Title III, Part B	n/a	93.044	68,884
Special Programs for the Aging - Title III, Part C	n/a	93.045	132,009
<i>Passed Through Ohio Department of Job and Family Services</i>			
Promoting Safe and Stable Families	n/a	93.556	24,422
Child Welfare Services- State Grants	n/a	93.645	46,311
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities</i>			
Social Services Block Grant	FY 06-07	93.667	40,939
State Children's Insurance Program (SCHIP)	6200015	93.767	1,192
Medical Assistance Program			
Individual Options	6200015	93.778	375,857
Targeted Case Management	6200015	93.778	197,273
Level 1 Waiver Programs	6200015	93.778	61,144
PASSPORT		93.778	55,664
Total - Medical Assistance Program			<u>689,938</u>
Total - Department of Health and Human Services			<u>1,003,695</u>

(Continued)

**FINANCIAL CONDITION
OTTAWA COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
FEDERAL EMERGENCY MANAGEMENT AGENCY			
<i>Passed Through Ohio Department Of Public Safety</i>			
Hazard Mitigation Grant	FEMA-DR-1453.16R-OH	97.039	2,188
Law Enforcement Terrorism Prevention Program	S07-LETPP6-62-0209	97.074	30,422
Buffer Zone Protection Program	S06-BZPP-62-0105	97.078	58,477
Emergency Management Performance Grants	S07-HEM7-62-0173	97.042	27,829
Homeland Security Grant Program	S06-SHSP6-62-0308	97.067	<u>24,995</u>
Total - Federal Emergency Management Agency			<u>143,911</u>
TOTAL FEDERAL AWARDS EXPENDITURES			<u>\$ 4,250,064</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED DECEMBER 31, 2007**

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 – SUBRECIPIENTS

The County passes-through certain Federal assistance received from Workforce Investment Act, Area 7, to other governments or not-for-profit agencies (subrecipients). As described in Note A, the County records expenditures of Federal awards to subrecipients when paid in cash. Of the federal expenditures presented in the schedule, the County provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Workforce Investment Act (WIA) Cluster	17.258, 17.259, 17.260	<u>\$410,070</u>

The subrecipient agencies have certain compliance responsibilities related to administering these Federal Programs. Under Federal Circular A-133, the County is responsible for monitoring subrecipients to help assure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements, and that performance goals are achieved.

NOTE C – COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS

The County has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low-moderate income households. The Federal Department of Housing and Urban Development (HUD) granted money for these loans to the County. The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Federal Awards Expenditures (the Schedule) when drawn from HUD. Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, and are also included as disbursements on the Schedule.

These loans are collateralized by mortgages on the property, business assets to include equipment, inventory and receivables, and personal assets. At December 31, 2007, the gross amount of loans outstanding under this program was \$678,071.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED DECEMBER 31, 2007**

**NOTE C – COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS –
(Continued)**

Activity in the CDBG revolving loan fund during 2007 is as follows:

Beginning loans receivable balance as of January 1, 2007:	406,005
Loans made:	300,000
Loan principal repaid on loans issued prior to 2007:	(15,559)
Loan principal repaid on 2007 loans issued:	<u>(12,375)</u>
Ending loan receivable balance as of December 31, 2007:	678,071
Cash balance on hand in the revolving loan fund as of December 31, 2007:	54,051
Interest subsidies and administrative costs expended during 2007:	<u>10,297</u>
Total value of RLF portion of the CDBG 14.228 program	742,419
Other grants administered through the 14.228 program	<u>386,695</u>
Total CDBG 14.228 program	<u><u>1,129,114</u></u>

NOTE D – HOME REVOLVING LOAN PROGRAM

The County has established a revolving loan program to provide low-interest loans to low-moderate income households and to eligible persons and to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) granted money for these loans to the County, passed through the Ohio Department of Development. The initial loan of this money would be recorded as a disbursement on the accompanying Federal Awards Expenditures Schedule (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 also included as disbursements on the Schedule.

These loans are collateralized by mortgages on the property. At December 31, 2007, the gross amount of loans outstanding under this program was \$513,040.

NOTE E – 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.

**FINANCIAL CONDITION
OTTAWA COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE F – HOMELAND SECURITY CLUSTER

The County reported the following federal programs for the Homeland Security Cluster on the Schedule of Federal Awards. Several programs for federal fiscal year 2005 were incorporated into the Homeland Security Grant Program (97.067) in accordance with guidance from the U.S. Department of Homeland Security.

<u>CFDA#</u>	<u>Program</u>	<u>Amount</u>
97.073	State Homeland Security Program	<u>\$24,995</u>
97.067	Homeland Security Grant Program	<u><u>\$24,995</u></u>



Mary Taylor, CPA

Auditor of State

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, 2007, which collectively comprise the County's basic financial statements and have issued our report thereon dated November 25, 2008. 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 as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the County's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the County's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2007-001.

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A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the County's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We do not believe the significant deficiency described above is a material weakness.

We also noted certain internal control matters that we reported to the County's management in a separate letter dated November 25, 2008.

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*.

We did note certain noncompliance that we reported to the County's management in a separate letter dated November 25, 2008.

The County's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the County's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of management, the Board of County Commissioners, federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

November 25, 2008



Mary Taylor, CPA

Auditor of State

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, 2007. 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 December 31, 2007.

Internal Control Over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that the County's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the County's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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.



Mary Taylor, CPA
Auditor of State

November 25, 2008

**FINANCIAL CONDITION
OTTAWA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Community Development Block Grants – CFDA 14.228, Medical Assistance Program – CFDA 93.778
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

FINDING NUMBER 2007-001

Significant Deficiency

Financial Reporting

As a result of the audit procedures performed the following errors were noted in the financial statements that required adjustment:

- \$1,117,396 representing additions to capital assets for vehicles and equipment that were omitted from the financial statements;
- \$1,959,097 representing additions to capital assets for the newly constructed Ottawa County Board of MRDD building that was omitted from the financial statements;
- \$1,759,721 representing additions to capital assets for the newly constructed Ottawa County Transportation Agency building that was omitted from the financial statements;
- \$287,625 representing the net total of a \$300,000 loan receivable reported as public works expenditures and \$12,375 in repayments reported as other revenue;
- \$390,446 representing the net total of a \$406,005 loan receivable omitted from the prior financial statements and \$15,559 in repayments reported as other revenue.

Additional errors were noted that did not require adjustment to the financial statements that consisted primarily of errors in the classification of certain revenues and expenditures. Additional corrections were required to the notes to the financial statements.

Sound financial reporting is the responsibility of the County Auditor and the Board of County Commissioners and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

To ensure the County's financial statements and notes to the statements are complete and accurate, the County should adopt policies and procedures, including a final review of the statements and notes by the County Auditor and the Board of County Commissioners, to identify and correct errors and omissions.

Officials' Response:

The County has implemented procedures that require departments to notify the County Auditor's Office for any newly acquired, transferred, or disposed assets. The County will be implementing additional procedures to strictly enforce compliance with the capital asset procedures. The County will also review procedures regarding the review of draft financial statements and notes to the financial statements that are compiled for the GAAP conversion to determine if additional procedures should be implemented.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



Mary Taylor, CPA
Auditor of State

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
DECEMBER 18, 2008**