



Dave Yost • Auditor of State

VILLAGE OF OTTAWA
PUTNAM COUNTY

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Ottawa
Putnam County
136 North Oak Street
Ottawa, Ohio 45875-1810

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Ottawa, Putnam County, Ohio (the Village), as of and for the year ended December 31, 2011, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village'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. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Ottawa, Putnam County, Ohio, as of December 31, 2011, and the respective changes in cash financial position, thereof and the respective budgetary comparison for the General, Firefighter Grant, and Income Tax Funds thereof for the year then ended in conformity with the accounting basis Note 2 describes.

As described in Note 3, during 2011 the Village of Ottawa adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2012, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the Village's financial statements taken as a whole. Management's Discussion and Analysis includes tables of net assets, changes in net assets, and governmental activities. The federal awards expenditures schedule (the Schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the Schedule provide additional information, but are not part of the basic financial statements. However these tables and the Schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and the Schedule were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion and Analysis, and we express no opinion or any other assurance on it.



Dave Yost
Auditor of State

September 10, 2012

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED**

This discussion and analysis of the Village of Ottawa's (the Village's) financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2011, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2011 are as follows:

Net assets of governmental activities increased \$2,122,216 or 49 percent, a significant change from the prior year. The increase can be attributed mostly to the issuance of Various Purpose General Obligation Capital Asset Bonds. The funds most affected by the increase are the Street Improvements Fund, Road Improvement Fund and Other Governmental Funds. The annual debt service for the 2011 bond issue will take the place of the debt service payment for the 2001 Various Purpose General Obligation Bonds, which was paid off in 2011.

The Village's general receipts are primarily bond and note revenues. These revenues represent 57 percent of the general receipts received for governmental activities during the year. These monies were issued for street improvements, road improvements and equipment purchases. A portion of the bond revenues were used to pay off the bond anticipation notes issued in 2011.

The Water Operating Fund and Sewer Operating Fund are the Village's major business-type activities. The Water Operating Fund realized an increase in net assets of 6 percent, while the Sewer Operating Fund's net assets increased .6 percent. The Village analyzes its water and sewer rates on a regular basis and makes adjustments accordingly.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the village-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED
(Continued)**

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Government as a Whole

This annual report includes all activities for which the Village is fiscally responsible. These activities, defined as the Village's reporting entity, are operated within separate legal entities that make up the primary government. The primary government consists of the Village.

The statement of net assets and the statement of activities reflect how the Village did financially during 2011, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Village at year-end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other non-financial factors as well such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, we divide the Village into two types of activities:

Governmental activities. Most of the Village's basic services are reported here, including police, fire, streets and parks. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activities. The Village has two business-type activities, the provision of water and sewer. Business-type activities are financed by a fee charged to the customers receiving the service.

Reporting the Village's Most Significant Funds

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are split into two categories: governmental and proprietary.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED
(Continued)**

Governmental Funds - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General Fund, Firefighter Grant Fund, Income Tax Fund, Note Retirement Fund, Street Improvement Fund, and Road Improvement Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Proprietary Funds – When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village has three enterprise funds, the Water Operating Fund, Sewer Operating Fund, and Enterprise Debt Service Reserve Fund. When the services are provided to other departments of the Village, the service is reported as an internal service fund. The Village has no internal service funds.

The Village as a Whole

Table 1 provides a summary of the Village's net assets for 2011 compared to 2010 on a cash basis:

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Assets						
Cash and Cash Equivalents	\$6,424,189	\$4,301,973	\$3,539,090	\$3,438,968	\$9,963,279	\$7,740,941
Net Assets						
Restricted for:						
Capital Outlay	2,287,976	83,466			2,287,976	83,466
Debt Service	9,249				9,249	
Other Purposes	3,048,408	3,395,325			3,048,408	3,395,325
Unrestricted	1,078,556	823,182	3,539,090	3,438,968	4,617,646	4,262,150
Total Net Assets	\$6,424,189	\$4,301,973	\$3,539,090	\$3,438,968	\$9,963,279	\$7,740,941

As mentioned previously, net assets of governmental activities increased \$2,122,216, or 49 percent during 2011. The primary reasons contributing to the increases in cash balances are as follows:

- Cash in the Street Improvement Fund, Road Improvement Fund and Other Governmental Funds increased \$2,223,307, which can be attributed mostly to the issuance of Various Purpose General Obligation Capital Asset Bonds and the Bond Anticipation Notes.
- There was deficit spending in the amount of \$273,165 in the Income Tax Fund. A significant portion of Income Tax Fund expenditures are related to security of persons and property.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED
(Continued)**

- Cash in the General Fund increased \$172,074, which can be attributed to the majority of expenditures related to security of persons and property being diverted from the General Fund to the Income Tax Fund in 2011.

Table 2 reflects the changes in net assets in 2011 compared to 2010 on a cash basis:

(Table 2)

Changes in Net Assets

	Governmental Activities 2011	Governmental Activities 2010	Business Type Activities 2011	Business Type Activities 2010	Total 2011	Total 2010
Receipts:						
Program Receipts:						
Charges for Services and Sales	\$212,405	\$187,700	\$2,691,452	\$2,807,992	\$2,903,857	\$2,995,692
Operating Grants and Contributions	231,828	238,684			231,828	238,684
Capital Grants and Contributions	325,079	111,227			325,079	111,227
Total Program Receipts	769,312	537,611	2,691,452	2,807,992	3,460,764	3,345,603
General Receipts:						
Property and Other Local Taxes	351,179	371,367			351,179	371,367
Municipal Income Taxes	1,234,024	1,144,892			1,234,024	1,144,892
Grants and Entitlements Not Restricted to Specific Programs	1,113,765	179,047			1,113,765	179,047
Bonds Issued	2,995,000				2,995,000	
Notes Issued	1,000,000			15,234	1,000,000	15,234
Premium and Accrued Interest on Debt	160,052				160,052	
Sale of Capital Assets	5,347	315	2,808	2,932	8,155	3,247
Interest	53,108	115,446			53,108	115,446
Proceeds from Insurance Settlement		89,092				89,092
Miscellaneous	40,388	67,686	9,160	17,905	49,548	85,591
Total General Receipts	6,952,863	1,967,845	11,968	36,071	6,964,831	2,003,916
Total Receipts	7,722,175	2,505,456	2,703,420	2,844,063	10,425,595	5,349,519
Disbursements:						
General Government	532,308	596,541			532,308	596,541
Security of Persons and Property:	685,929	676,645			685,929	676,645
Leisure Time Activities	110,202	114,745			110,202	114,745
Community Environment	105,787	293,152			105,787	293,152
Transportation	246,354	265,533			246,354	265,533
Capital Outlay	2,433,022	950,734			2,433,022	950,734
Principal Retirement	1,395,072	380,072			1,395,072	380,072
Interest and Fiscal Charges	91,176	97,241			91,176	97,241
Other	109	217			109	217
Water Operating			1,283,448	1,568,159	1,283,448	1,568,159
Sewer Operating			1,319,850	1,260,405	1,319,850	1,260,405
Total Disbursements	5,599,959	3,374,880	2,603,298	2,828,564	8,203,257	6,203,444
Increase (Decrease) in Net Assets	2,122,216	(869,424)	100,122	15,499	2,222,338	(853,925)
Net Assets, January 1	4,301,973	5,171,397	3,438,968	3,423,469	7,740,941	8,594,866
Net Assets, December 31	\$6,424,189	\$4,301,973	\$3,539,090	\$3,438,968	\$9,963,279	\$7,740,941

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED
(Continued)**

Program receipts represent 33 percent of total receipts and are primarily comprised of restricted water and sewer user fees. Grants restricted for specific projects were 16 percent of program receipts. Restricted intergovernmental receipts such as motor vehicle license and gas tax money, as well as recreational entry fees, and license and permit fees are also included in program receipts.

In 2011, general receipts represent 67 percent of the Village's total receipts, and of this amount, 60 percent are proceeds from bond and note issuance. Nearly 23 percent are local taxes, 16 percent are grants and entitlements not restricted to specific programs, and the remaining 1 percent is interest earnings which can fluctuate annually due to rate of return, miscellaneous receipts such as proceeds from insurance and refunds of prior year expenditures, and sale of capital assets.

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other government activities. These include the costs of council, mayor, municipal director, solicitor, fiscal officer, and community environment departments, as well as internal services such as payroll and purchasing.

Security of Persons and Property are the costs of police and fire protection; Leisure Time Activities are the costs of maintaining the pool and parks; the economic development department promotes the Village to industry and commerce as well as working with other governments in the area to attract new business; Basic Utility Services are costs associated with the water and sewer systems in special revenue funds; and Transportation is the cost of maintaining the roads.

Governmental Activities

If you look at the Statement of Activities, you will see the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for capital improvements, which account for 43 percent of all governmental disbursements. Debt service, security of persons and property, and general government also represent significant costs, 27 percent, 12 percent and 10 percent, respectively. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service, which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts, which are presented at the bottom of the Statement of Activities. A comparison between the total cost of services and the net cost is presented in Table 3.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED
(Continued)**

	Governmental Activities			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2011	2011	2010	2010
General Government	\$532,308	\$420,574	\$596,541	\$523,255
Security of Persons and Property	685,929	654,762	676,645	614,415
Leisure Time Activities	110,202	108,412	114,745	112,475
Economic Development	105,787	(281,553)	293,152	134,988
Basic Utilities		(981)		(981)
Transportation	246,354	10,054	265,533	24,853
Capital Outlay	2,433,022	2,433,022	950,734	950,734
Principal Retirement	1,395,072	1,395,072	380,072	380,072
Interest and Fiscal Charges	91,176	91,176	97,241	97,241
Other	109	109	217	217
Total Expenses	\$5,599,959	\$4,830,647	\$3,374,880	\$2,837,269

The dependence upon property and income tax receipts is apparent as 86 percent of governmental activities are supported through these general receipts.

Business-type Activities

The Village has two major business type activities, the provision of water and sewer, which are accounted for in the Water Operating Fund and the Sewer Operating Fund. Charges for services completely support the business type activity disbursements. The Village reviews its water and sewer rates annually and makes necessary adjustments to align the revenues with anticipated expenditures. In addition, the Village sells water and sewer to neighboring communities to help stabilize rates.

The Government's Funds

As you look at the Statement of Receipts, Disbursements, and Changes in -Cash Basis Fund Balances you will see total governmental funds had receipts and other financing sources of \$7,722,175 and disbursements and other financing uses of \$5,599,959. The greatest change in fund balances within governmental funds occurred within the Road Improvement Fund. The fund balance increase of \$1,725,000 in the Road Improvement Funds is due to the issuance of the Various Purpose General Obligation Capital Asset Bonds. Debt proceeds are also reflected in the Street Improvement Fund and Other Governmental Fund balances.

There was deficit spending in the amount of \$273,165 in the Income Tax Fund. The majority of Income Tax Fund expenditures are related to security of persons and property.

Cash in the General Fund increased \$172,074, which can be attributed to the majority of expenditures related to security of persons and property being diverted from the General Fund to the Income Tax Fund in 2011.

General Fund Budgeting Highlights

The Village's budget is prepared according to Ohio law and the Village Charter and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED
(Continued)**

Final disbursements and other financing uses in the General Fund were budgeted at \$1,311,115 while actual disbursements and other financing uses were \$456,279. The Village employs a conservative approach to budgeting by estimating receipts low and appropriations high. In 2011, the Village budgeted for certain capital improvements in the General Fund, but decided not to pursue those improvements at this time in keeping with its conservative approach.

Capital Assets and Debt Administration

Capital Assets

The Village does not currently keep track of its capital assets and infrastructure.

Debt

At December 31, 2011, the Village's outstanding debt included \$2,995,000 in newly issued Various Purpose General Obligation Capital Asset Bonds, \$1,560,000 in general obligation bonds issued for construction of the Putnam County Educational Service Center/Community Learning Center, \$415,410 in Ohio Public Works Commission (OPWC) loans for improvements to water and sewer utility services, and \$6,273,722 in Ohio Water Development Authority (OWDA) loans for improvements to water and sewer system buildings and structures. For further information regarding the Village's debt, refer to Note 11 to the basic financial statements.

Current Issues

The challenge for all governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes. The Village is constantly looking at ways to cut costs without cutting services. Employees are cross-trained in several areas and certain services have been contracted out resulting in cost savings. Although cost cutting measures have been implemented, the need for increased revenues became apparent. The Village put a .65% income tax increase on the ballot in November 2011. The electors failed to pass the increase. Therefore, Village Council passed an ordinance effective January 1, 2012 eliminating the credit for taxes paid to another municipality, which is expected to generate an additional \$288,000 in revenues annually into the Income Tax Fund.

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Barbara J. Brickner, Fiscal Officer, Village of Ottawa, 136 North Oak Street, Ottawa, Ohio 45875-1810.

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**VILLAGE OF OTTAWA
PUTNAM COUNTY**

*Statement of Net Assets - Cash Basis
December 31, 2011*

	Governmental Activities	Business - Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$6,424,189	\$3,539,090	\$9,963,279
Net Assets			
Restricted for:			
Capital Projects	\$2,287,976		\$2,287,976
Debt Service	9,249		9,249
Other Purposes	3,048,408		3,048,408
Unrestricted	1,078,556	\$3,539,090	4,617,646
<i>Total Net Assets</i>	<u>\$6,424,189</u>	<u>\$3,539,090</u>	<u>\$9,963,279</u>

See accompanying notes to the basic financial statements

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

*Statement of Activities - Cash Basis
For the Year Ended December 31, 2011*

	Program Cash Receipts			
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Current:				
Security of Persons and Property	\$685,929	\$29,967	\$1,200	
Leisure Time Activities	110,202	1,240	500	\$50
Community Environment	105,787	62,312		325,028
Basic Utility Services		981		
Transportation	246,354	6,171	230,128	1
General Government	532,308	111,734		
Capital Outlay	2,433,022			
Other	109			
Debt Service:				
Principal Retirement	1,395,072			
Interest and Fiscal Charges	91,176			
<i>Total Governmental Activities</i>	<u>5,599,959</u>	<u>212,405</u>	<u>231,828</u>	<u>325,079</u>
Business-Type Activities				
Water Operating	1,283,448	1,363,068		
Sewer Operating	1,319,850	1,328,384		
<i>Total Business-Type Activities</i>	<u>2,603,298</u>	<u>2,691,452</u>		
Total	<u><u>\$8,203,257</u></u>	<u><u>\$2,903,857</u></u>	<u><u>\$231,828</u></u>	<u><u>\$325,079</u></u>

General Receipts

Property Taxes Levied for:
 General Purposes
 Fire Services
 Other Local Taxes
Municipal Income Taxes
Grants and Entitlements not Restricted to Specific Programs
Sale of Bonds
Sale of Notes
Premium and Accrued Interest on Debt
Sale of Capital Assets
Earnings on Investments
Miscellaneous

Total General Receipts

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements

Net (Disbursements) Receipts and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$654,762)		(\$654,762)
(108,412)		(108,412)
281,553		281,553
981		981
(10,054)		(10,054)
(420,574)		(420,574)
(2,433,022)		(2,433,022)
(109)		(109)
(1,395,072)		(1,395,072)
(91,176)		(91,176)
(4,830,647)		(4,830,647)
	79,620	79,620
	8,534	8,534
	88,154	88,154
(4,830,647)	88,154	(4,742,493)
242,766		242,766
88,413		88,413
20,000		20,000
1,234,024		1,234,024
1,113,765		1,113,765
2,995,000		2,995,000
1,000,000		1,000,000
160,052		160,052
5,347	2,808	8,155
53,108		53,108
40,388	9,160	49,548
6,952,863	11,968	6,964,831
2,122,216	100,122	2,222,338
4,301,973	3,438,968	7,740,941
\$6,424,189	\$3,539,090	\$9,963,279

VILLAGE OF OTTAWA
PUTNAM COUNTY

Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
December 31, 2011

	<u>General</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,756,302</u>
Fund Balances	
Restricted	
Committed	\$21,738
Assigned	32,183
Unassigned	<u>1,702,381</u>
<i>Total Fund Balances</i>	<u>\$1,756,302</u>

See accompanying notes to the basic financial statements

Income Tax Fund	Street Improvement Fund	Road Improvement Fund	Other Governmental Funds	Total Governmental Funds
<u>\$1,903,480</u>	<u>\$174,321</u>	<u>\$1,725,000</u>	<u>\$865,086</u>	<u>\$6,424,189</u>
\$1,903,480	\$174,321	\$1,725,000	\$859,945 5,141	\$2,759,266 1,930,359 32,183 1,702,381
<u>\$1,903,480</u>	<u>\$174,321</u>	<u>\$1,725,000</u>	<u>\$865,086</u>	<u>\$6,424,189</u>

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

*Statement of Receipts, Disbursements and Changes Fund Balances - Cash Basis
Governmental Funds
For the Year Ended December 31, 2011*

	General	Firefighter Grant Fund	Income Tax Fund
Receipts			
Municipal Income Taxes			\$1,234,024
Property Taxes	\$242,766		
Other Local Taxes			
Intergovernmental	264,430	\$526,022	6,000
Special Assessments			6,759
Charges for Services	58,153		95,652
Fines, Licenses and Permits	49,839		
Earnings on Investments	47,797		
Miscellaneous	16,485		7,869
<i>Total Receipts</i>	<u>679,470</u>	<u>526,022</u>	<u>1,350,304</u>
Disbursements			
Current:			
Security of Persons and Property	109,375		516,255
Leisure Time Activities	110,202		
Community Environment	105,787		
Transportation			
General Government	181,373		348,122
Capital Outlay	550	526,022	285,397
Debt Service:			
Principal Retirement			395,072
Interest and Fiscal Charges			83,523
<i>Total Disbursements</i>	<u>507,287</u>	<u>\$526,022</u>	<u>1,628,369</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>172,183</u>		<u>(278,065)</u>
Other Financing Sources (Uses)			
Sale of Bonds			
Sale of Notes			
Premium and Accrued Interest on Debt			
Sale of Capital Assets			4,900
Other Financing Uses	(109)		
<i>Total Other Financing Sources (Uses)</i>	<u>(109)</u>		<u>4,900</u>
<i>Net Change in Fund Balances</i>	172,074		(273,165)
<i>Restated Fund Balances Beginning of Year</i>	<u>1,584,228</u>		<u>2,176,645</u>
<i>Fund Balances End of Year</i>	<u>\$1,756,302</u>		<u>\$1,903,480</u>

See accompanying notes to the basic financial statements

Note Retirement Fund	Street Improvement Fund	Road Improvement Fund	Other Governmental Funds	Total Governmental Funds
				\$1,234,024
			\$88,413	331,179
			20,000	20,000
			874,220	1,670,672
				6,759
			854	154,659
			1,148	50,987
	\$1,249		4,062	53,108
			16,034	40,388
	1,249		1,004,731	3,561,776
			60,299	685,929
				110,202
				105,787
			246,354	246,354
			2,813	532,308
	827,928	\$82,934	710,191	2,433,022
\$1,000,000				1,395,072
7,653				91,176
1,007,653	827,928	82,934	1,019,657	5,599,850
(1,007,653)	(826,679)	(82,934)	(14,926)	(2,038,074)
1,000,000		1,675,000	320,000	2,995,000
	1,000,000			1,000,000
7,653	1,000	132,934	18,465	160,052
			447	5,347
				(109)
\$1,007,653	1,001,000	1,807,934	338,912	4,160,290
	174,321	1,725,000	323,986	2,122,216
			541,100	4,301,973
	\$174,321	\$1,725,000	\$865,086	\$6,424,189

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund*

For the Year Ended December 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Receipts				
Property Taxes	\$232,377	\$230,157	\$242,766	\$12,609
Intergovernmental	152,340	154,560	264,430	109,870
Charges for Services	28,767	28,767	58,153	29,386
Fines, Licenses and Permits	32,050	32,050	49,839	17,789
Earnings on Investments	50,150	50,150	47,797	(2,353)
Miscellaneous	8,500	8,500	16,485	7,985
<i>Total Receipts</i>	<u>504,184</u>	<u>504,184</u>	<u>679,470</u>	<u>175,286</u>
Disbursements				
Current:				
Security of Persons and Property	165,040	171,989	123,059	48,930
Leisure Time Activities	143,789	155,313	114,486	40,827
Community Environment	44,088	48,504	22,915	25,589
Transportation	1	1	1	
General Government	311,660	311,640	194,859	116,781
Capital Outlay	492,750	623,458	850	622,608
<i>Total Disbursements</i>	<u>1,157,328</u>	<u>1,310,905</u>	<u>456,170</u>	<u>854,735</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(653,144)</u>	<u>(806,721)</u>	<u>223,300</u>	<u>1,030,021</u>
Other Financing Sources Uses				
Other Financing Uses	(100)	(210)	(109)	101
<i>Net Change in Fund Balance</i>	(653,244)	(806,931)	223,191	1,030,122
<i>Unencumbered Fund Balance Beginning of Year</i>	775,525	775,525	775,525	
Prior Year Encumbrances Appropriated	47,657	47,657	47,657	
<i>Unencumbered Fund Balance End of Year</i>	<u>\$169,938</u>	<u>\$16,251</u>	<u>\$1,046,373</u>	<u>\$1,030,122</u>

See accompanying notes to the basic financial statements

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Firefighter Grant Fund
For the Year Ended December 31, 2011*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Intergovernmental	<u>\$577,080</u>	<u>\$526,022</u>	<u>\$526,022</u>	
Disbursements				
Capital Outlay	<u>\$577,080</u>	<u>\$526,022</u>	<u>\$526,022</u>	
<i>Excess of Receipts Over Disbursements</i>				
<i>Unencumbered Fund Balance Beginning of Year</i>				
Prior Year Encumbrances Appropriated				
<i>Unencumbered Fund Balance End of Year</i>				

See accompanying notes to the basic financial statements

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Income Tax Fund
For the Year Ended December 31, 2011*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Receipts				
Municipal Income Taxes	\$1,000,000	\$1,000,000	\$1,234,024	\$234,024
Intergovernmental			6,000	6,000
Special Assessments	5,880	5,880	6,759	879
Charges for Services	58,500	58,500	95,652	37,152
Miscellaneous	5,000	5,000	7,869	2,869
<i>Total Receipts</i>	<u>1,069,380</u>	<u>1,069,380</u>	<u>1,350,304</u>	<u>280,924</u>
Disbursements				
Current:				
General Government	462,624	431,602	353,321	78,281
Security of Persons and Property	492,310	538,670	521,172	17,498
Capital Outlay	1,074,648	1,755,864	296,087	1,459,777
Debt Service:				
Principal Retirement	410,108	410,108	410,108	
Interest and Fiscal Charges	83,523	83,523	83,523	
<i>Total Disbursements</i>	<u>2,523,213</u>	<u>3,219,767</u>	<u>1,664,211</u>	<u>1,555,556</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(1,453,833)</u>	<u>(2,150,387)</u>	<u>(313,907)</u>	<u>1,836,480</u>
Other Financing Sources				
Sale of Capital Assets	225	225	4,900	4,675
<i>Net Change in Fund Balance</i>	(1,453,608)	(2,150,162)	(309,007)	1,841,155
<i>Fund Balance Beginning of Year</i>	2,060,712	2,060,712	2,060,712	
Prior Year Encumbrances Appropriated	115,933	115,933	115,933	
<i>Fund Balance End of Year</i>	<u>\$723,037</u>	<u>\$26,483</u>	<u>\$1,867,638</u>	<u>\$1,841,155</u>

See accompanying notes to the basic financial statements

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

*Statement of Fund Net Assets - Cash Basis
Proprietary Funds
December 31, 2011*

	Business-Type Activities			
	Water Operating Fund	Sewer Operating Fund	Other Enterprise Fund	Total Enterprise Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$1,708,942	\$1,515,251	\$314,897	\$3,539,090
Net Assets				
Unrestricted	\$1,708,942	\$1,515,251	\$314,897	3,539,090

See accompanying notes to the basic financial statements

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

*Statement of Receipts, Disbursements and Changes in Fund Net Assets - Cash Basis
Proprietary Funds
For the Year Ended December 31, 2011*

	Business-Type Activities			Total Enterprise Funds
	Water Operating Fund	Sewer Operating Fund	Other Enterprise Fund	
Operating Receipts				
Charges for Services	\$1,336,234	\$1,294,636		\$2,630,870
Miscellaneous	9,099	61		9,160
<i>Total Operating Receipts</i>	<u>1,345,333</u>	<u>1,294,697</u>		<u>2,640,030</u>
Operating Disbursements				
Personal Services	303,076	272,454		575,530
Employee Fringe Benefits	192,417	169,784		362,201
Contractual Services	183,356	200,559		383,915
Supplies and Materials	238,336	115,224		353,560
Other	1,445			1,445
<i>Total Operating Disbursements</i>	<u>918,630</u>	<u>758,021</u>		<u>1,676,651</u>
<i>Operating Income</i>	426,703	536,676		963,379
Non-Operating Receipts (Disbursements)				
Special Assessments	26,834	33,748		60,582
Sale of Capital Assets	2,361	447		2,808
Capital Outlay	(79,341)	(111,416)		(190,757)
Principal Retirement	(184,012)	(318,596)		(502,608)
Interest and Other Fiscal Charges	(101,465)	(131,817)		(233,282)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(335,623)</u>	<u>(527,634)</u>		<u>(863,257)</u>
<i>Change in Net Assets</i>	91,080	9,042		100,122
<i>Net Assets Beginning of Year</i>	<u>1,617,862</u>	<u>1,506,209</u>	<u>\$314,897</u>	<u>3,438,968</u>
<i>Net Assets End of Year</i>	<u><u>\$1,708,942</u></u>	<u><u>\$1,515,251</u></u>	<u><u>\$314,897</u></u>	<u><u>\$3,539,090</u></u>

See accompanying notes to the basic financial statements

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 1 – REPORTING ENTITY

The Village of Ottawa, Putnam County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Beginning January 1, 2000 the Village's form of government was changed from statutory to a charter form of government. A six-member Council elected at large for four-year terms directs the Village. The Mayor is elected to a four-year term, and votes only to break a tie.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, water and sewer utilities, maintenance of Village roads and bridges, park operations, and police services. The Village appropriates general fund money to support a volunteer fire department.

B. Component Units

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Village is obligated for the debt of the organization. The Village is also financially accountable for any organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Village, are accessible to the Village and are significant in amount to the Village. Based on these criteria, the Village has no component units.

C. Public Entity Risk Pools

The Village participates in a public entity risk pool. Note 8 to the financial statements provides additional information for this entity. This organization is the Public Entities Pool of Ohio.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Village's accounting policies.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Village as a whole. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash balance of the governmental and business-type activities of the Village at year-end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a cash basis or draws from the Village's general receipts.

Fund Financial Statements

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

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

B. Fund Accounting

The Village uses fund accounting 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. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into two categories, governmental and proprietary.

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Village has six major governmental funds including the General Fund, Firefighter Grant Fund, Income Tax Fund, Note Retirement Fund, Street Improvement Fund, and Road Improvement Fund.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.
- The Firefighter Grant Fund is a special revenue fund and was established for the receipt and disbursement of grant monies.
- The Income Tax Fund is a special revenue fund used primarily to fund capital improvements. Its use is restricted by Village ordinance.
- The Note Retirement Fund is a debt service fund which was established for the receipt, disbursement and payoff of bond anticipation note monies.
- The Street Improvement Fund is a capital project fund established for the receipt of bond monies to be used for street improvements.
- The Road Improvement Fund is a capital project fund established for the receipt of bond monies to be used for road improvement projects.

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

Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as enterprise.

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

Water Fund - The Water Fund accounts for the provision of water to the residents and commercial users located within the Village.

Sewer Fund - The Sewer Fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

C. Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Fiscal Officer. 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 certificated of estimated resources in effect at the time final appropriations were passed by the Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance 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 Village Council during the year.

E. Cash and Investments

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

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains at the time of sale are recorded as receipts.

During 2011, the Village invested in nonnegotiable certificates of deposit, savings accounts, money market funds, and STAR Ohio. The nonnegotiable certificates of deposit are reported at cost. The savings accounts and money market accounts are reported at the amount the Village has recorded as of December 31, 2011.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2011.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2011 was \$47,797, which includes \$32,911 assigned from other Village funds.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Inventory and Prepaid Items

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

H. Interfund Receivables/Payables

The Village reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

I. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's cash basis of accounting.

J. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Long-Term Obligations

The Village's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

L. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for other purposes include resources restricted for capital expenditures such as land and land improvements, street improvements, and police and fire equipment.

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

M. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Enabling legislation authorizes the Village to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Village can be compelled by an external party—such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of Village Council. Those committed amounts cannot be used for any other purpose unless Village Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by Village Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by Village Council or a Village official delegated that authority by ordinance, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

N. Interfund Transactions

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

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

NOTE 3 – CHANGE IN BASIS OF ACCOUNTING

For fiscal year 2011, the Village modified its financial statements to reflect the modifications outlined in GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions".

GASB Statement No. 54 provides fund balance classifications that can be more consistently applied and clarifies the existing governmental fund type definitions. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned and/or unassigned. The restatement due to the implementation of GASB Statement No. 54 had the following effect on fund balance of the major and nonmajor funds of the School District as they were previously reported.

	General	Budget Stabilization	Other Governmental Funds
Fund Balance at December 31, 2010	\$823,182	\$739,308	\$562,838
Change in Fund Structure	761,046	(739,308)	(21,738)
Adjusted Fund Balance at January 1, 2011	\$1,584,228		\$541,100

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund, Firefighter Grant Fund, and Income Tax Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year-end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year-end (budgetary basis) amounted to \$32,183 for the General Fund and \$35,842 in the Income Tax Fund.

In addition, as part of Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting", certain funds that are legally budgeted in separate special revenue funds (budget stabilization and termination benefit funds) are considered part of the General fund on the cash basis.

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement for the General fund:

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING (CONTINUED)

Net Change in Fund Cash Balance	
	General Fund
Cash Basis	\$172,074
Funds Budgeted Elsewhere	83,300
Adjustment for Encumbrances	(32,183)
Budget Basis	\$223,191

NOTE 5 – DEPOSITS AND INVESTMENTS

Monies held by the Village are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 5 – DEPOSITS AND INVESTMENTS (CONTINUED)

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

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 Village, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

At year end, the Village had \$150 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$2,453,779 of the Village's bank balance of \$9,793,100 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of December 31, 2011, the Village had \$197,557 invested in STAR Ohio. STAR Ohio has a maturity of approximately one month.

STAR Ohio carries a rating of AAAM by Standard and Poor's. The Village has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

NOTE 6 – INCOME TAXES

The Village levies a 1 percent income tax whose proceeds are placed into the Income Tax Fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. In the latter case, the Village allows a credit of the lesser of actual taxes paid to another city or 100 percent of the 1 percent tax rate on taxable income. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 7 – PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2011 represent the collection of 2010 taxes. Real property taxes received in 2011 were levied after October 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2011 represent the collection of 2010 taxes. Public utility real and tangible personal property taxes received in 2011 became a lien on December 31, 2009, were levied after October 1, 2010, and are collected in 2011 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The full tax rate for all Village operations for the year ended December 31, 2011, was \$4.00 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2011 property tax receipts were based are as follows:

Real Property	
Residential	\$64,791,680
Agriculture	498,010
Commercial/Industrial/Mineral	22,115,800
Public Utility Property	
Real	22,330
Personal	3,207,460
Total Assessed Value	<u><u>\$90,635,280</u></u>

NOTE 8 – RISK MANAGEMENT

Risk Pool Membership

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 8 – RISK MANAGEMENT (CONTINUED)

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2010, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2010 and 2009 (the latest information available):

	<u>2010</u>	<u>2009</u>
Assets	\$34,952,010	\$36,374,898
Liabilities	<u>(14,320,812)</u>	<u>(15,256,862)</u>
Net Assets	<u>\$20,631,198</u>	<u>\$21,118,036</u>

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$12.9 million and \$14.1 million of estimated incurred claims payable. The assets above also include approximately \$12.4 million and \$13.7 million of unpaid claims to be billed to approximately 454 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the Village's share of these unpaid claims collectible in future years is approximately \$68,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
2011	\$73,386
2010	54,759
2009	52,878

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 8 – RISK MANAGEMENT (CONTINUED)

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

NOTE 9 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

Plan Description – The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension 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. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension 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. Interested parties may obtain a copy 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 and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law and public safety employer units. Member contribution rates, as set in the Ohio Revised Code, are not to exceed 10 percent. For the year ended December 31, 2011, members in state and local classifications contributed 10 percent of covered payroll while public safety and law enforcement members contributed 11 percent and 11.6 percent, respectively. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. For 2011, member and employer contribution rates were consistent across all three plans.

The Village's 2011 contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the County's contribution was 18.10 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 4 percent for 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for 2011. Employer contribution rates are actuarially determined.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 9 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

The Village's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2011, 2010, and 2009 were \$92,868, \$83,608, and \$69,119, respectively; 100 percent has been contributed for 2011 and 100 percent for 2010 and 2009.

B. Ohio Police and Fire Pension Fund

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code requires plan members to contribute 10.0 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police.

The OP&F Pension Fund is authorized by the Ohio Revised Code to allocate a portion of the employer contributions to retiree health care benefits. The portion of employer contributions used to fund pension benefits was 12.75 percent of covered payroll for police officers. The Village's contributions to OP&F for police pension for the years ended December 31, 2011, 2010, and 2009 were \$36,589, \$36,548 and \$39,317 respectively. The full amount has been contributed for 2011, 2010 and 2009.

NOTE 10 – POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost sharing, multiple employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 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 mandate, 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.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 10 – POSTEMPLOYMENT BENEFITS (CONTINUED)

Funding Policy – The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 18.10 percent. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law and public safety employer units.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4 percent for 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 for 2011.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their 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, 2011, 2010, and 2009 were \$37,147, \$47,664, and \$69,119, respectively; 100 percent has been contributed for 2011 and 100 percent for 2010 and 2009.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

Plan Description – The Village contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined post-employment health care plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long-term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 10 – POSTEMPLOYMENT BENEFITS (CONTINUED)

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required by Ohio Revised Code to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2011, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Village's contributions to OP&F which were allocated to fund post-employment health care benefits for police was \$19,370 for the year ended December 31, 2011, \$19,349 for the year ended December 31, 2010, and \$20,815 for the year ended December 31, 2009. The full amount has been contributed for 2011, 2010 and 2009.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 11 – DEBT

The Village's long-term debt activity for the year ended December 31, 2011 was as follows:

	Interest Rate	Balance December 31, 2010	Additions	Reductions	Balance December 31, 2011	Due Within One Year
<u>Governmental Activities</u>						
General Obligation Bonds 2001	2.5-4.1%	\$285,000		\$285,000		
General Obligation Bonds 2005	3.25-5%	1,640,000		80,000	1,560,000	85,000
Bond Anticipation Notes	2.9%		\$1,000,000	1,000,000		
General Obligation Bonds 2011	2.0-4.5%		2,995,000		2,995,000	140,000
OPWC Loan - Storm Sewer	0%	165,398		30,072	135,326	30,072
Total Governmental Activities		<u>\$2,090,398</u>	<u>\$3,995,000</u>	<u>\$1,395,072</u>	<u>\$4,690,326</u>	<u>\$255,072</u>
<u>Business-type Activities</u>						
OPWC Loan - Water	0%	\$10,000		\$5,000	\$5,000	\$5,000
OPWC Loan – Pohl Sewer	0%	292,276		17,193	275,084	17,192
OWDA Loan #2447 (WWTP)	4.12%	2,956,687		277,532	2,679,155	289,085
OWDA Loan #3790 (WTP)	3.15%	979,510		59,243	920,266	61,124
OWDA Loan #4380 (Pohl Water)	2.75%	657,210		33,204	624,006	34,124
OWDA Loan #4381 (Pohl Sewer)	2.75%	472,490		23,871	448,619	24,533
OWDA Loan #4570 (Tank)	2.84%	376,549		18,177	358,372	18,697
OWDA Loan #4783 (Bluffton)	2.75%	1,311,692		68,388	1,243,304	
Total Business-type Activities		<u>\$7,056,414</u>		<u>\$502,608</u>	<u>\$6,553,806</u>	<u>\$449,755</u>

The general obligation bonds are supported by the full faith and credit of the Village and are payable from unvoted property tax receipts to the extent that other resources are not available to meet annual principal and interest payments.

The bond anticipation notes were issued and retired in 2011. The note proceeds are being used for street improvements. The notes were retired with a portion of the general obligation bonds issued in 2011.

The Ohio Public Works Commission 0% loans relate to a storm sewer project, water tank improvement and sanitary sewer extension. The storm sewer loan will be repaid in semiannual installments of \$15,036 over 20 years. Income tax revenues are the dedicated source of repayment for this loan. The water tank loan will be repaid in semiannual installments of \$2,500 over 20 years. Water revenues are the dedicated source of repayment for this loan. The sanitary sewer extension loan will be repaid in semiannual installments of \$8,596 over 20 years. Sewer revenues are the dedicated source of repayment for this loan.

The Ohio Water Development Authority (OWDA) loan #2447 for the wastewater treatment plant improvements relates to a sewer system expansion project that was mandated by the Ohio Environmental Protection Agency. The loan will be repaid in semiannual installments including interest, over 20 years. Sewer receipts secure the loan.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 11 – DEBT (CONTINUED)

The OWDA loan #3790 for the water treatment plant improvements relates to a water system expansion project that was necessary to meet upcoming Environmental Protection Agency requirements. The loan will be repaid in semiannual installments including interest, over 20 years. Water receipts secure this loan.

The purpose of the OWDA loan #4380 for the Pohl Road area water line extension was to service a recently annexed area. The loan will be repaid in semiannual installments over 20 years. This loan will be repaid with water receipts.

The OWDA loan #4381 for the Pohl Road area sanitary sewer extension was mandated by the Ohio Environmental Protection Agency. The loan will be repaid in semiannual installments over 20 years. This loan will be repaid with sewer receipts.

The OWDA loan #4570 is for rehabilitation of two water storage tanks. The loan will be repaid in semiannual installments over 20 years. Water receipts secure this loan.

The OWDA loan #4783 is for construction of a waterline to supply water to a neighboring village. The increased consumption is essential in stabilizing water rates for all users of the water system. Construction has been completed but the loan has not been closed, and a final amortization schedule is unavailable. This loan will be repaid in semiannual installments over 20 years, but is not included in the accompanying amortization schedule. This loan will be repaid with water receipts.

On December 8, 2011 the Village entered into OWDA loan #6065 for waterline and meter replacement in an amount of \$1,165,321. The loan will be repaid in semiannual installments over 20 years. This loan will be repaid with water receipts. As of December 31, 2011 no draws have been made on the new loan.

The following is a summary of the Village's future annual debt service requirements:

Year	G.O. Bonds		OWDA Loans		OPWC Loans
	Principal	Interest	Principal	Interest	Principal
2012	\$225,000	\$209,512	\$427,563	\$175,088	\$52,264
2013	250,000	180,625	443,697	158,955	47,264
2014	255,000	174,010	460,446	142,201	47,264
2015	265,000	165,550	477,850	124,796	47,264
2016	270,000	154,001	495,926	106,722	32,228
2017 – 2021	1,580,000	579,275	1,958,332	261,871	85,964
2022 – 2026	1,710,000	216,625	752,433	54,125	85,965
2027 – 2030			14,171	201	17,197
Totals	<u>\$4,555,000</u>	<u>\$1,679,598</u>	<u>\$5,030,418</u>	<u>\$1,023,960</u>	<u>\$415,410</u>

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2011, were an overall debt margin of \$4,961,704 and an unvoted debt margin of \$429,940.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 12 – CONSTRUCTION AND CONTRACTUAL COMMITMENTS

<u>Vendor/Project</u>	<u>Contract Amount</u>	<u>Balance Outstanding 12/31/11</u>
Peterson UV Disinfection	\$359,000	\$15,340
Forster Trucking Industrial Drive Utility Extension	\$310,178	\$29,894
United Systems Radio Read Meters	\$296,902	\$296,902
Hohenbrink Waterline Improvements	\$392,620	\$392,620
Hohenbrink S. Oak Street Waterline Improvements	\$278,394	\$278,394
Kirk Walnut Street Pump Station - General and Mechanical	\$674,000	\$674,000
Brint Walnut Street Pump Station - Electrical	\$398,900	\$398,900

NOTE 13 – CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

NOTE 14 – SUBSEQUENT EVENTS

During April 2012, the Village entered an agreement with the Ohio Department of Transportation (ODOT) to construct turn lanes on State Route 65 and Williamstown Road. The estimated cost of this project is \$763,500 with ODOT funding \$350,000, the Ohio Department of Development \$350,000 and the Village of Ottawa \$63,500.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 15 – FUND BALANCES

Fund balance can be classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in governmental funds. The constraints placed on fund balance for the major governmental funds and all other funds are presented as follows:

	General Fund	Income Tax Fund	Street Improvement Fund	Road Improvement Fund	Other Governmental Funds	Total Governmental Funds
Restricted for:						
Road Improvement			\$174,321	\$1,725,000	\$660,009	\$2,559,330
Disaster					22,889	22,889
Drug & Alcohol					5,675	5,675
Fire Operations					69,599	69,599
CDBG					9,849	9,849
Sewer Imp					50,000	50,000
WSRLA					32,675	32,675
Debt Service					9,249	9,249
Total Restricted			174,321	1,725,000	859,945	2,759,266
Committed for:						
Termination Benefits	\$21,738					21,738
Fire Operations		\$4,459				4,459
Road Improvement		240				240
Land		1,850				1,850
Debt Service		15,036			5,141	20,177
General Government		1,873,613				1,873,613
Police		6,912				6,912
Recreation		1,370				1,370
Total Committed	21,738	1,903,480			5,141	1,930,359
Assigned for:						
General Government	16,866					16,866
Economic Dev	36					36
Street Operations	1					1
Community	692					692
Recreation	4,284					4,284
Fire Operations	8,088					8,088
Police Operations	2,216					2,216
Total Assigned	32,183					32,183
Unassigned	1,702,381					1,702,381
Total Fund Balance	\$1,756,302	\$1,903,480	\$174,321	\$1,725,000	\$865,086	\$6,424,189

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**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2011**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Disbursements
UNITED STATES DEPARTMENT OF HOMELAND SECURITY		
<i>Direct Program</i>		
Assistance to Firefighters Grant	97.044	\$473,420
<i>Passed Through Ohio Emergency Management Agency</i>		
Disaster Grants - Public Assistance	97.036	<u>283,268</u>
Total		<u><u>\$756,688</u></u>

The accompanying notes are an integral part of this schedule.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - MATCHING REQUIREMENTS

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



Dave Yost • Auditor of State

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

Village of Ottawa
Putnam County
136 North Oak Street
Ottawa, Ohio 45875-1810

To the Village Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Ottawa, Putnam County, Ohio (the Village), as of and for the year ended December 31, 2011, which collectively comprise the Village's basic financial statements and have issued our report thereon dated September 10, 2012, wherein we noted the Village uses a comprehensive accounting basis other than generally accepted accounting principles and the Village adopted Governmental Accounting Standards Board Statement No. 54. We also noted the Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Government because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village'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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Village'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*.

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

We intend this report solely for the information and use of management, the audit committee, Village Council, federal awarding agencies and pass-through entities, and others within the Village. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

September 10, 2012



Dave Yost • Auditor of State

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

Village of Ottawa
Putnam County
136 North Oak Street
Ottawa, Ohio 45875-1810

To the Village Council:

Compliance

We have audited the compliance of the Village of Ottawa, Putnam County, Ohio (the Village), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Village's major federal program for the year ended December 31, 2011. The *summary of auditor's results* section of the accompanying schedule of findings identifies the Village's major federal program. The Village'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 opine on the Village's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the 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 Village's compliance with these 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 Village's compliance with these requirements.

In our opinion, the Village of Ottawa, Putnam County, Ohio complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2011.

Internal Control Over Compliance

The Village'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 Village's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Village's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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 over compliance that might be deficiencies, 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 the audit committee, management, Village Council, others within the Village, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

September 10, 2012

VILLAGE OF OTTAWA
PUTNAM COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2011

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)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(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 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(a)?	No
(d)(1)(vii)	Major Programs (list):	Assistance to Firefighters Grant CFDA #97.044
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2011-001

Material Weakness

Monitoring Financial Statements

Accurate financial reporting is the responsibility of the Fiscal Officer and is essential to ensure the information provided to the readers of the financial statements accurately reflects the Village's activity.

The 2011 financial statements contained material errors, such as the following:

- Business Type Activities and Enterprise net assets in total of \$3,539,090 were recorded as Restricted for Other Purposes instead of Unrestricted on the Statement of Net Assets and the Statement of Fund Net Assets.
- Budget Stabilization and Termination Benefit Funds were not reclassified to the General Fund as required by GASB 54. This resulted in the General Fund Balance being understated by \$677,746.
- Equity in Pooled Cash and Cash Equivalents in the amount of \$199,718 was incorrectly recorded as Investments of Governmental Activities on the Statement of Net Assets and the General Fund, Street Construction Maintenance and Repair Fund, and Other Governmental Funds on the Statement of Fund Net Assets.
- Premiums from bond and note issuances in total of \$160,052 were incorrectly recorded as debt proceeds instead of Premiums of Governmental Activities on the Statement of Activities and in the Note Premium Fund, Street Improvement Fund, Road improvement Fund, and Other Other Governmental Funds.
- Tax revenues in total of \$88,413 were not separately shown for Governmental Activities on the Statement of Activities as being levied for Fire Services.

Adjusting entries in amounts up to \$3,539,090 were posted to the financial statements to correct these and other errors. The financial statements presented have been adjusted to reflect these corrections.

To ensure the Village's financial statements and notes to the statements are complete and accurate, the Village Council should adopt policies and procedures, including a final review of the financial statements, management discussion and analysis, and notes to the financial statements to identify and correct errors and omissions.

Officials' Response

The Village of Ottawa utilizes the Uniform Accounting Network (UAN) software provided by the Auditor of State's office to process financial transactions. Two of the five material weaknesses listed above were a result of the software functions and are as follows: 1) The UAN automatically posts enterprise net assets as Restricted for Other Purposes instead of Unrestricted on the Statement of Net Assets and the Statement of Fund Net Assets; and 2) The UAN automatically posts the tax revenues to the Statement of Activities.

The Village will request the Auditor of State's office make changes in its programming to comply with the abovementioned audit standards.

Reclassifying the Budget Stabilization and Termination Benefit Funds to the General Fund is a new requirement under GASB 54, which recently became effective. This will be corrected on future financial statements.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

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VILLAGE OF OTTAWA
PUTNAM COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2010-001	Financial Reporting recommendation for financial statement errors.	No	Finding has not been corrected and is repeated in this report as item 2011-001.

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VILLAGE OF OTTAWA

PUTNAM 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
SEPTEMBER 27, 2012