



OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF OTTAWA
PUTNAM COUNTY
DECEMBER 31, 2018

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis) – All Governmental Fund Types For the Year Ended December 31, 2018	5
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis) – Proprietary Fund Type For the Year Ended December 31, 2018	6
Notes to the Financial Statements – For the Year Ended December 31, 2018	7
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	17
Prepared by Management:	
Summary Schedule of Prior Audit Findings	19

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OHIO AUDITOR OF STATE KEITH FABER



One Government Center, Suite 1420
Toledo, Ohio 43604-2246
(419) 245-2811 or (800) 443-9276
NorthwestRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Ottawa, Putnam County, Ohio (the Village) as of and for the year ended December 31, 2018.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2018, and the respective changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Ottawa, Putnam County, Ohio as of December 31, 2018, for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Emphasis of Matter

As discussed in Note 14 to the financial statements, during 2018, the Village has elected to change its financial presentation to an accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP). We did not modify our opinions on the regulatory basis presented.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 18, 2019, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Keith Faber
Auditor of State

Columbus, Ohio

July 18, 2019

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**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$245,262	\$115,026		\$360,288
Municipal Income Tax		2,004,995		2,004,995
Intergovernmental	95,129	321,408	\$269,365	685,902
Special Assessments		1,066		1,066
Charges for Services	36,505	1,287		37,792
Fines, Licenses and Permits	50,087	669		50,756
Earnings on Investments	77,462	3,525		80,987
Miscellaneous	148,449	146,062		294,511
<i>Total Cash Receipts</i>	<u>652,894</u>	<u>2,594,038</u>	<u>269,365</u>	<u>3,516,297</u>
Cash Disbursements				
Current:				
Security of Persons and Property	138,149	638,314		776,463
Leisure Time Activities	116,388			116,388
Community Environment	68,784	38,592		107,376
Transportation		226,513	8,697	235,210
General Government	266,040	305,248		571,288
Capital Outlay	139,377	1,514,621	675,972	2,329,970
Debt Service:				
Principal Retirement		478,685		478,685
Interest and Fiscal Charges		145,894		145,894
<i>Total Cash Disbursements</i>	<u>728,738</u>	<u>3,347,867</u>	<u>684,669</u>	<u>4,761,274</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(75,844)</u>	<u>(753,829)</u>	<u>(415,304)</u>	<u>(1,244,977)</u>
Other Financing Receipts				
Sale of Notes			317,696	317,696
Sale of Capital Assets	10,226	25,976		36,202
<i>Total Other Financing Receipts</i>	<u>10,226</u>	<u>25,976</u>	<u>317,696</u>	<u>353,898</u>
<i>Net Change in Fund Cash Balances</i>	<u>(65,618)</u>	<u>(727,853)</u>	<u>(97,608)</u>	<u>(891,079)</u>
<i>Fund Cash Balances, January 1</i>	<u>1,831,938</u>	<u>3,501,156</u>	<u>103,261</u>	<u>5,436,355</u>
Fund Cash Balances, December 31				
Restricted		558,026	508	558,534
Committed	58,636	2,215,277	5,145	2,279,058
Assigned	1,124,868			1,124,868
Unassigned	582,816			582,816
<i>Fund Cash Balances, December 31</i>	<u>\$1,766,320</u>	<u>\$2,773,303</u>	<u>\$5,653</u>	<u>\$4,545,276</u>

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

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$3,262,473
Operating Cash Disbursements	
Personal Services	689,612
Fringe Benefits	354,318
Contractual Services	644,400
Supplies and Materials	318,425
Other	19,743
<i>Total Operating Cash Disbursements</i>	2,026,498
<i>Operating Income</i>	1,235,975
Non-Operating Receipts (Disbursements)	
Intergovernmental	40,723
Special Assessments	82,726
Sale of Fixed Assets	1,445
Capital Outlay	(743,740)
Principal Retirement	(731,944)
Interest and Other Fiscal Charges	(105,016)
<i>Total Non-Operating Receipts (Disbursements)</i>	(1,455,806)
<i>Net Change in Fund Cash Balances</i>	(219,831)
<i>Fund Cash Balances, January 1</i>	2,254,989
<i>Fund Cash Balances, December 31</i>	\$2,035,158

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

Village of Ottawa, Ohio
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 – Reporting Entity

The Village of Ottawa (the Village), Putnam County, 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 publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police services. The Village appropriates general fund money to support a volunteer fire department.

Public Entity Risk Pool

The Village participates in a public entity risk pool, the Public Entities Pool of Ohio (PEP). Note 6 to the financial statements provides additional information for this entity. 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

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for the proprietary fund type which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported 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.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Fund:

Income Tax Fund This fund accounts for and reports revenues derived mainly from the Village's one percent income tax. It is used primarily to fund capital improvements. Its use is committed by Village ordinance.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

South Perry Pump Station Fund This fund accounts for and reports proceeds of an Ohio Public Works Commission grant and loan. The proceeds are restricted for construction of a new sanitary sewer pump station.

Enterprise Funds These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Village of Ottawa, Ohio
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Water Fund This fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village

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

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

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

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

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

A summary of 2018 budgetary activity appears in Note 3.

Deposits and Investments

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

The Village values certificates of deposit at cost.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Capital Assets

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

Village of Ottawa, Ohio
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Fund Balance

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

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is *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.

Committed Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included 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.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$498,320	\$663,120	\$164,800
Special Revenue	2,432,209	2,620,014	187,805
Capital Projects	587,061	587,061	
Enterprise	3,243,904	3,387,367	143,463
Total	\$6,761,494	\$7,257,562	\$496,068

Village of Ottawa, Ohio
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,688,805	\$1,052,836	\$635,969
Special Revenue	6,142,001	3,829,157	2,312,844
Capital Projects	690,322	684,669	5,653
Enterprise	5,498,893	4,171,670	1,327,223
Total	\$14,020,021	\$9,738,332	\$4,281,689

Note 4 – Deposits and Investments

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

	2018
Demand deposits	\$461,198
Certificates of deposit	5,685,000
Other time deposits (savings and NOW accounts)	12,478
Total deposits	6,158,676
STAR Ohio	421,758
Total deposits and investments	\$6,580,434

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation, collateralized by securities specifically pledged by the financial institution to the Village, or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution

Investments

Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

Village of Ottawa, Ohio
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Income Taxes

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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

Note 6 – Risk Management

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. 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 York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

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, 2017, PEP retained \$350,000 for casualty claims and \$100,000 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 auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017 (the latest information available).

	<u>2017</u>
Assets	\$44,452,326
Liabilities	<u>(13,004,011)</u>
Net Position	<u>\$31,448,315</u>

At December 31, 2017, the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2018, the Village's share of these unpaid claims collectible in future years is approximately \$57,000.

Village of Ottawa, Ohio
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

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>2018 Contributions to PEP</u> \$90,852
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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 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The majority of Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

Ohio Police and Fire Retirement System

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 percent of their wages. The Village contributed to OP&F an amount equal to 19.5 percent of full-time police members' wages. The Village has paid all contributions required through December 31, 2018.

Social Security

Several of the Village's employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

Note 8 – Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the

Village of Ottawa, Ohio
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2018. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

Note 9 – Debt

Debt outstanding at December 31, 2018 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds 2011	\$1,800,000	4%
General Obligation Notes 2014	1,335,000	2%
Promissory Note (Fire Truck)	335,330	3%
State Infrastructure Bank Loan (Williamstown Road)	110,433	3%
State Infrastructure Bank Loan (Putnam Parkway)	152,618	3%
State Infrastructure Bank Loan (Villa Drive)	281,938	3%
Ohio Public Works Commission Loan (Pohl Sewer)	154,735	0%
Ohio Public Works Commission Loan (Oak Street Pump Station)	89,324	0%
Ohio Public Works Commission Loan (West Ottawa Pump Station)	278,290	0%
Ohio Public Works Commission Loan (South Perry Pump Station)	200,000	0%
Ohio Water Development Authority Loan #2447 (WWTP)	384,596	3%
Ohio Water Development Authority Loan #3790 (WTP)	449,418	3%
Ohio Water Development Authority Loan #4380 (Pohl Water)	364,363	3%
Ohio Water Development Authority Loan #4381 (Pohl Sewer)	261,953	3%
Ohio Water Development Authority Loan #4570 (Tank)	215,712	3%
Ohio Water Development Authority Loan #4783 (Bluffton)	819,419	3%
Ohio Water Development Authority Loan #6065 (Waterline/Meters)	847,694	2%
Ohio Water Development Authority Loan #6643 (Lime Sludge)	56,638	2%
Ohio Water Development Authority Loan #6858 (WWTP Screening)	42,329	2%
Ohio Water Development Authority Loan #7948 (WWTP)	108,999	2%
Total	<u>\$8,288,789</u>	

The bonds issued in 2011 were issued under the Ohio Capital Asset Financing Program as Fractionalized Interests. The participants in this issue, besides the Village of Ottawa were: Village of Galena, City of Reading, Little Miami Joint Fire & Rescue District, City of Munroe Falls, City of Forest Park, and the Village of Silver Lake. The bonds issued on behalf of the Village of Ottawa will finance road improvement, road equipment, water improvement, and sewer equipment.

Proceeds from the 2014 bonds were used for the purpose of advance refunding of general obligation 2005 bonds and for future roadway improvements. The 2014 advance refunding bonds were issued for a total of \$1,900,000. This advance refunding was undertaken to reduce total debt service payments over the next 11 years by \$69,398 and resulting in an economic gain of \$79,870.

The Promissory Note is through First Federal Bank for the purchase of a new fire truck. This note will be repaid with monthly payments of \$5,306 over 10 years. The note will be repaid with income tax receipts.

Village of Ottawa, Ohio
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

The State Infrastructure Bank loans were obtained through the Ohio Department of Taxation. These loans are for Williamstown Road, Putnam Parkway Road improvements, and Villa Drive. The loans will be repaid in semiannual installments over 8 years beginning in 2017. The Williamstown Road and Villa Drive loans will be repaid with income tax receipts. The Putnam Parkway Road loan will be repaid with income tax receipts and tax increment financing receipts.

The Ohio Public Works Commission 0% loans relate to a Pohl Road sewer extension, Oak Street pump station, West Ottawa pump station, and South Perry pump station. The Pohl Road 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 Oak Street pump station loan will be repaid in semiannual installments of \$2,881 over 20 years. Sewer revenues are the dedicated source of repayment for this loan. The West Ottawa pump station loan will be paid in semiannual installments of \$8,185 over 20 years. Sewer revenues are the dedicated source of repayment for this loan. The South Perry Street pump station loan will be repaid in semiannual payments of \$5,000 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.

The Ohio Water Development Authority (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 Ohio Water Development Authority (OWDA) loan #4380 is for the Pohl Road area water line extension to provide 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 Ohio Water Development Authority (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 Ohio Water Development Authority (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 Ohio Water Development Authority (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. This loan will be repaid in semiannual installments over 20 years, and will be repaid with water receipts.

The Ohio Water Development Authority (OWDA) loan #6065 is for waterline and meter replacement in the amount of \$1,165,321. The loan will be repaid in semiannual installments over 20 years, and will be repaid with water receipts.

The Ohio Water Development Authority (OWDA) loan #6643 is for a lime sludge project related to water treatment to address Environmental Protection Agency recommendations. Loan proceeds and the use of those monies are recorded in the Capital Projects Fund. This loan will be repaid in semiannual installments including interest, over 20 years. Water receipts secure the loan.

The Ohio Water Development Authority (OWDA) loan #6858 is for design of a screening facility at the wastewater treatment plant. During 2018, the loan was not complete and therefore the entire loan amount

Village of Ottawa, Ohio
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

had not been utilized. As of December 31, 2018, the Village had loan proceeds of \$14,237 available that the Village had not drawn from OWDA but were included in the amortization table below. This loan will be repaid in semiannual installments over 5 years, and will be repaid with sewer receipts.

The Ohio Water Development Authority (OWDA) loan #7948 is for the wastewater headworks screening facility improvement. This project was not completed at December 31, 2018, and no amortization schedule has been provided by OWDA for the \$108,999 outstanding balance on the loan. Therefore this loan is not included in the amortization table below.

Leases

The Village leases a sewer camera system, street sweeper, and wheel loader under noncancelable leases. The Village disbursed \$108,516 to pay lease costs for the year ended December 31, 2018.

Amortization

Amortization of the above debt, including interest, is scheduled as follows:

Year Ending December 31:	Leases	General Obligation Bonds	OPWC Loans	OWDA Loans	Bank Loan	SIB Loans
2019	\$77,605	\$489,632	49,326	\$805,813	\$63,676	\$69,363
2020		491,224	49,325	409,293	63,675	90,492
2021		487,247	49,326	380,199	63,676	90,492
2022		479,026	49,326	380,200	63,676	90,491
2023		470,765	49,326	380,200	63,676	89,158
2024-2028		1,210,954	229,436	1,238,764	47,696	176,346
2029-3033			160,663	278,887		
2034-2038			85,621			
Total	<u>\$77,605</u>	<u>\$3,628,848</u>	<u>\$722,349</u>	<u>\$3,873,356</u>	<u>\$366,075</u>	<u>\$606,342</u>

Note 10 – Construction and Contractual Commitments

<u>Vendor/Project</u>	<u>Contract Amount</u>	<u>Balance Outstanding 12/31/18</u>
Utility Services Install TRS System (5 th year of 6-year Program)	\$120,841	\$120,841
Putnam County YMCA Donation (13 th year of 15-year Commitment)	\$1,500,000	\$81,397
Hohenbrink Excavating, LLC Pleasant Drive Sanitary Sewer	\$265,102	\$265,102
Ward Construction Street Projects	\$584,826	\$248,491

Village of Ottawa, Ohio
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Note 11 – Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. The grantor 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 12 – Subsequent Events

The Village was approved for a Federal Emergency Management Agency (FEMA) grant through the Flood Mitigation Assistance program. This federal grant is for \$741,619 with a local funding requirement of \$247,207, and is for the acquisition and demolition of several properties within the Village limits.

The Village was approved for a FEMA grant through the Pre-Disaster Competitive program. This federal grant is for \$156,076 with a local funding requirement of \$52,025, and is for the acquisition and demolition of several properties within the Village limits.

The Village was approved for an Ohio Public Works Commission \$100,000 loan and \$100,000 grant for the Clearwell Bypass Project. Water revenues will be the dedicated source of repayment for the loan.

The Village was approved for an Ohio Water Development Authority (OWDA) loan, using Water Pollution Control Loan Fund monies, in the amount of \$2,821,433 for construction of a screening facility at the wastewater treatment plant. This loan will be repaid in semiannual installments over 30 years. Sewer receipts will be used to repay this loan.

The Village was approved for an Ohio Water Development Authority (OWDA) loan in the amount of \$346,364 for design of improvements to the water treatment plant. This loan will be repaid in semiannual installments over 5 years. Water receipts will be used to repay this loan.

Note 13 – Miscellaneous Receipts

Miscellaneous receipts in the General Fund primarily consisted of donations and building rent.

Note 14 – Change in Basis of Accounting

In 2017, the Village reported their financial statements on the cash basis comparable to the requirements of *Governmental Accounting Standards*. For 2018, the Village has elected to follow the financial statement presentation following the regulatory basis of accounting described in Note 2. The fund financial statements now present a column for each fund type, rather than each major fund in a separate column with nonmajor funds aggregated and presented in a single column. The Village also no longer presents entity wide financial statements.



**INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Ottawa, Putnam County, Ohio (the Village) as of and for the year ended December 31, 2018, and the related notes to the financial statements and have issued our report thereon dated July 18, 2019 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the Village elected to change its financial presentation to an accounting basis permitted by Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) for 2018.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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 combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining 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*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

July 18, 2019



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2018

Finding Number	Finding Summary	Status	Additional Information
2017-001	This finding was first reported in 2014. Material weakness for lack of monitoring of financial transactions resulting in errors in the financial statements.	Partially corrected. Reissued in the Management Letter.	An effort was made to correct prior audit posting errors and properly follow GASB 54. The Village of Ottawa will follow this guidance in the future.

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OHIO AUDITOR OF STATE KEITH FABER



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
AUGUST 1, 2019**