



OHIO AUDITOR OF STATE
KEITH FABER



**VILLAGE OF OTTOVILLE
PUTNAM COUNTY
DECEMBER 31, 2018 AND 2017**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Village of Ottoville
Putnam County
150 Park Drive
P.O. Box 488
Ottoville, Ohio 45876-0488

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 Ottoville, Putnam County, Ohio (the Village) as of and for the years ended December 31, 2018 and 2017.

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 2017, and the respective changes in financial position or cash flows thereof for the years 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 Ottoville, Putnam County, Ohio as of December 31, 2018 and 2017, for the years 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 1, 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 1, 2019

**VILLAGE OF OTTOVILLE
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	\$64,896	\$33,359		\$98,255
Municipal Income Tax	453,865			453,865
Intergovernmental	43,087	81,072		124,159
Charges for Services	71,173			71,173
Fines, Licenses and Permits	423	435		858
Earnings on Investments	3,731	105		3,836
Miscellaneous	16,825	3,762		20,587
<i>Total Cash Receipts</i>	<u>654,000</u>	<u>118,733</u>		<u>772,733</u>
Cash Disbursements				
Current:				
Security of Persons and Property	249,254	18,953		268,207
Basic Utility Services	4,527			4,527
Transportation	5,992	204,133		210,125
General Government	139,747			139,747
Capital Outlay	3,559	36,226		39,785
Debt Service:				
Principal Retirement	17,722			17,722
<i>Total Cash Disbursements</i>	<u>420,801</u>	<u>259,312</u>		<u>680,113</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>233,199</u>	<u>(140,579)</u>		<u>92,620</u>
Other Financing Receipts (Disbursements)				
Transfers In		125,000		125,000
Transfers Out	(137,000)			(137,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(137,000)</u>	<u>125,000</u>		<u>(12,000)</u>
<i>Net Change in Fund Cash Balances</i>	96,199	(15,579)		80,620
<i>Fund Cash Balances, January 1</i>	<u>740,522</u>	<u>71,311</u>	<u>\$36,432</u>	<u>848,265</u>
Fund Cash Balances, December 31				
Restricted		55,732	31,336	87,068
Committed			5,096	5,096
Assigned	161,048			161,048
Unassigned	675,673			675,673
<i>Fund Cash Balances, December 31</i>	<u>\$836,721</u>	<u>\$55,732</u>	<u>\$36,432</u>	<u>\$928,885</u>

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

VILLAGE OF OTTOVILLE
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	\$409,959
Miscellaneous	294
<i>Total Operating Cash Receipts</i>	410,253
Operating Cash Disbursements	
Personal Services	98,733
Employee Fringe Benefits	44,746
Contractual Services	192,737
Supplies and Materials	45,196
<i>Total Operating Cash Disbursements</i>	381,412
<i>Operating Income</i>	28,841
Non-Operating Receipts (Disbursements)	
Earnings on Investments	189
Principal Retirement	(56,547)
Interest and Other Fiscal Charges	(751)
Other Financing Uses	(1,785)
<i>Total Non-Operating Receipts (Disbursements)</i>	(58,894)
<i>Loss before Transfers</i>	(30,053)
Transfers In	12,000
<i>Net Change in Fund Cash Balances</i>	(18,053)
<i>Fund Cash Balances, January 1</i>	173,712
<i>Fund Cash Balances, December 31</i>	\$155,659

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

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

Note 1 – Reporting Entity

The Village of Ottoville (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. 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 Ohio Plan Risk Management, Inc. (OPRM). 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:

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

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:

Other Capital Projects Fund The other capital projects fund is used for major projects in the Village, such as the Progressive Drive water line extension and the East U.S. Route 224 water line extension which is funded by transfers from the General Fund.

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:

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

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

Sewer Fund The sewer 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 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.

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.

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.

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

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	\$717,015	\$654,000	(\$63,015)
Special Revenue	295,539	243,733	(51,806)
Enterprise	418,250	422,442	4,192
Total	\$1,430,804	\$1,320,175	(\$110,629)

Village of Ottoville, 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	\$723,033	\$558,240	\$164,793
Special Revenue	302,422	259,846	42,576
Capital Projects	3,900		3,900
Enterprise	541,192	441,261	99,931
Total	\$1,570,547	\$1,259,347	\$311,200

Note 4 – Deposits

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

	2018
Demand deposits	\$796,960
Certificates of deposit	287,584
Total deposits	\$1,084,544

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village.

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.

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. Income tax receipts are credited to the General Fund.

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

Note 6 – Risk Management

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 764 members as of December 31, 2017.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2017 (the latest information available).

Assets	\$14,853,620
Liabilities	<u>(9,561,108)</u>
Members' Equity	<u>\$ 5,292,512</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

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.

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

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. 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 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:

	Principal	Interest Rate
Ohio Public Works Commission #CT51F	\$65,551	1%
Ohio Public Works Commission #CM08Q	264,349	0%
Ohio Water Development Authority #4324	209,094	0%
Ohio Water Development Authority #4592	150,350	0%
Ohio Public Works Commission #CM24S	205,937	0%
Total	\$895,281	

Ohio Public Works Commission (OPWC) loan #CT51F was entered into in 2002, for the purpose of providing revenues for a wastewater treatment plant sludge handling improvement. The 20 year loan is for \$243,683. The Village began making semiannual installments of \$6,737 in 2004, with final maturity in 2024.

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

Ohio Public Works Commission (OPWC) loan #CM08Q was entered into in 2013, for the purpose of providing revenues for the Auglaize Street Reconstruction. The 30 year loan is for \$311,000. The Village began making semiannual payments of \$5,183 in 2013, with final maturity of 2044.

Ohio Water Development Authority (OWDA) loan #4324 was entered into in 2005, for the purpose of providing revenues for phase II of a wastewater treatment plant sludge handling improvement. The 20 year loan is for \$522,737. The Village began making annual installments of \$26,137 in 2007, with final maturity in 2027.

Ohio Water Development Authority (OWDA) loan #4592 was entered into in 2006, for the purpose of providing revenues for phase III of a wastewater treatment plant sludge handling improvement. The 20 year loan is for \$353,762. The Village began making semiannual payments of \$8,844 in 2008, with final maturity in 2027.

Ohio Public Works Commission (OPWC) loan #CM24S was entered into in 2016 for the purpose of providing revenues for storm sewer improvements on Bendele Street. The 30 year loan is for \$220,647. The Village began making semiannual installments of \$3,677 in 2017 with final maturity in 2047.

Amortization

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

Year Ending December 31:	OPWC Loans Principal	OPWC Loans Interest	OWDA Loans Principal
2019	\$20,453	\$328	\$21,912
2020	30,636	559	43,825
2021	30,765	430	43,825
2022	30,896	299	43,825
2023	31,028	167	43,825
2024-2028	95,311	34	162,232
2029-2033	88,607		
2034-2038	88,608		
2039-2043	88,608		
2044-2048	30,925		
Total	<u>\$535,837</u>	<u>\$1,817</u>	<u>\$359,444</u>

Note 10 – Interfund Transfers

During 2018, the following transfers were made:

<u>Fund</u>	<u>Amount</u>
General Fund Transfer Out to:	
Street Construction Maintenance and Repair Fund	\$120,000
Police Fund	5,000
Sewer Reserve Fund	8,000
Water Reserve Fund	4,000
Total General Fund Transfers	<u>\$137,000</u>

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

Transfers are used to move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to use unrestricted receipts collected in the General Fund to finance various programs accounted for in the other funds in accordance with budgetary authorizations.

**VILLAGE OF OTTOVILLE
PUTNAM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$58,638	\$33,304		\$91,942
Municipal Income Tax	562,545			562,545
Intergovernmental	60,339	73,972		134,311
Special Assessments	250	283		533
Charges for Services	33,032			33,032
Fines, Licenses and Permits	1,724	75		1,799
Earnings on Investments	1,896	60		1,956
Miscellaneous	17,675	5,318		22,993
<i>Total Cash Receipts</i>	<u>736,099</u>	<u>113,012</u>		<u>849,111</u>
Cash Disbursements				
Current:				
Security of Persons and Property	187,507	16,582		204,089
Basic Utility Services			\$11,289	11,289
Transportation	11,871	175,339		187,210
General Government	167,925			167,925
Capital Outlay		33,040	60,164	93,204
Debt Service:				
Principal Retirement	17,722			17,722
<i>Total Cash Disbursements</i>	<u>385,025</u>	<u>224,961</u>	<u>71,453</u>	<u>681,439</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>351,074</u>	<u>(111,949)</u>	<u>(71,453)</u>	<u>167,672</u>
Other Financing Receipts (Disbursements)				
Sale of Capital Assets			31,336	31,336
Transfers In		125,000	50,000	175,000
Transfers Out	(187,000)			(187,000)
Advances In	30,000			30,000
Advances Out	(30,000)			(30,000)
Other Financing Uses		(4,164)		(4,164)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(187,000)</u>	<u>120,836</u>	<u>81,336</u>	<u>15,172</u>
<i>Net Change in Fund Cash Balances</i>	164,074	8,887	9,883	182,844
<i>Fund Cash Balances, January 1</i>	<u>576,448</u>	<u>62,424</u>	<u>26,549</u>	<u>665,421</u>
Fund Cash Balances, December 31				
Restricted		71,311	31,336	102,647
Committed			5,096	5,096
Assigned	6,018			6,018
Unassigned	734,504			734,504
<i>Fund Cash Balances, December 31</i>	<u>\$740,522</u>	<u>\$71,311</u>	<u>\$36,432</u>	<u>\$848,265</u>

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

VILLAGE OF OTTOVILLE
PUTNAM COUNTY

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$379,399
Miscellaneous	1,099
<i>Total Operating Cash Receipts</i>	380,498
Operating Cash Disbursements	
Personal Services	96,203
Employee Fringe Benefits	48,071
Contractual Services	97,204
Supplies and Materials	58,320
Other	825
<i>Total Operating Cash Disbursements</i>	300,623
<i>Operating Income</i>	79,875
Non-Operating Receipts (Disbursements)	
Earnings on Investments	141
Sale of Fixed Asset	15,000
Capital Outlay	(9,477)
Principal Retirement	(56,421)
Interest and Other Fiscal Charges	(877)
Other Financing Uses	(1,785)
<i>Total Non-Operating Receipts (Disbursements)</i>	(53,419)
<i>Income before Transfers and Advances</i>	26,456
Transfers In	12,000
Advances In	30,000
Advances Out	(30,000)
<i>Net Change in Fund Cash Balances</i>	38,456
<i>Fund Cash Balances, January 1</i>	135,256
<i>Fund Cash Balances, December 31</i>	\$173,712

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

Village of Ottoville, Ohio
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 – Reporting Entity

The Village of Ottoville (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. 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 7 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:

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

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:

Other Capital Projects Fund The other capital projects fund is used for major projects in the Village, such as the Progressive Drive water line extension and the East U.S. Route 224 water line extension which is funded by transfers from the General Fund.

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:

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

Village of Ottoville, Ohio
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Sewer Fund The sewer 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 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 2017 budgetary activity appears in Note 4.

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.

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.

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.

Village of Ottoville, Ohio
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

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 – Compliance

Contrary to Ohio Rev. Code § 5705.10(F), the Village recorded the proceeds from the sale of a permanent improvement in the wrong fund.

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

Village of Ottoville, Ohio
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

2017 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$682,782	\$766,099	\$83,317
Special Revenue	282,528	238,012	(44,516)
Capital Projects	60,000	81,336	21,336
Enterprise	482,986	437,639	(45,347)
Total	<u>\$1,508,296</u>	<u>\$1,523,086</u>	<u>\$14,790</u>

2017 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$768,875	\$602,389	\$166,486
Special Revenue	276,671	229,727	46,944
Capital Projects	86,549	71,453	15,096
Enterprise	414,706	399,925	14,781
Total	<u>\$1,546,801</u>	<u>\$1,303,494</u>	<u>\$243,307</u>

Note 5 – Deposits

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

	2017
Demand deposits	<u>\$736,333</u>
Certificates of deposit	285,644
Total deposits	<u>\$1,021,977</u>

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village.

Note 6 – 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.

Village of Ottoville, Ohio
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

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

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. Income tax receipts are credited to the General Fund.

Note 7 – 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.

	<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, 2017, the

Village of Ottoville, Ohio
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Village's share of these unpaid claims collectible in future years is approximately \$12,000.

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>2017 Contributions to PEP</u> \$18,843
--

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 8 – 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, 2017.

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. Village has paid all contributions required through December 31, 2017.

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, 2017.

Village of Ottoville, Ohio
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 9 – 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 Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. OP&F contributes 0.5 percent to fund these benefits.

Note 10 – Debt

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission #CT51F	\$78,273	1%
Ohio Public Works Commission #CM08Q	274,716	0%
Ohio Water Development Authority #4324	235,231	0%
Ohio Water Development Authority #4592	168,038	0%
Ohio Public Works Commission #CM24S	213,292	0%
Total	\$969,550	

Ohio Public Works Commission (OPWC) loan #CT51F was entered into in 2002, for the purpose of providing revenues for a wastewater treatment plant sludge handling improvement. The 20 year loan is for \$243,683. The Village began making semiannual installments of \$6,737 in 2004, with final maturity in 2024.

Ohio Public Works Commission (OPWC) loan #CM08Q was entered into in 2013, for the purpose of providing revenues for the Auglaize Street Reconstruction. The 30 year loan is for \$311,000. The Village began making semiannual payments of \$5,183 in 2013, with final maturity of 2044.

Ohio Water Development Authority (OWDA) loan #4324 was entered into in 2005, for the purpose of providing revenues for phase II of a wastewater treatment plant sludge handling improvement. The 20 year loan is for \$522,737. The Village began making annual installments of \$26,137 in 2007, with final maturity in 2027.

Ohio Water Development Authority (OWDA) loan #4592 was entered into in 2006, for the purpose of providing revenues for phase III of a wastewater treatment plant sludge handling improvement. The 20 year loan is for \$353,762. The Village began making semiannual payments of \$8,844 in 2008, with final maturity in 2027.

Ohio Public Works Commission (OPWC) loan #CM24S was entered into in 2016 for the purpose of providing revenues for storm sewer improvements on Bendele Street. The 30 year loan is for \$220,647. The Village began making semiannual installments of \$3,677 in 2017 with final maturity in 2047.

Amortization

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

Village of Ottoville, Ohio
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Year Ending December 31:	OPWC Loans Principal	OPWC Loans Interest	OWDA Loans Principal
2018	\$20,389	\$391	\$21,913
2019	30,508	687	43,825
2020	30,636	559	43,825
2021	30,765	430	43,825
2022	30,896	299	43,825
2023-2027	108,618	201	206,056
2028-2032	88,607		
2033-2037	88,608		
2034-2042	88,607		
2043-2047	48,647		
Total	<u>\$566,281</u>	<u>\$2,567</u>	<u>\$403,269</u>

Note 11 – Interfund Transfers

During 2017, the following transfers were made:

<u>Fund</u>	<u>Amount</u>
General Fund Transfer Out to:	
Street Construction Maintenance and Repair Fund	\$120,000
Police Fund	5,000
Other Capital Projects Fund	50,000
Sewer Reserve Fund	8,000
Water Reserve Fund	4,000
Total General Fund Transfers	<u>\$187,000</u>

Transfers are used to move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to use unrestricted receipts collected in the General Fund to finance various programs accounted for in the other funds in accordance with budgetary authorizations.

Note 12 – Interfund Advances

During 2017 the Village advanced \$30,000 from the General Fund to the Sewer Fund. This advance was repaid in 2017.

OHIO AUDITOR OF STATE KEITH FABER



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

Village of Ottoville
Putnam County
150 Park Drive
P.O. Box 488
Ottoville, Ohio 45876-0488

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 Ottoville, Putnam County, Ohio (the Village) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated July 1, 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.

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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2018-001 and 2018-002 to be material weaknesses.

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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2018-002.

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 1, 2019

**VILLAGE OF OTTOVILLE
PUTNAM COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
--

FINDING NUMBER 2018-001

Material Weakness – Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16. In addition, Governmental Accounting Standards Board (GASB) Statement No. 54 (codified as GASB Cod 1800.165-.179) requires fund balance be divided into one of five classifications based on the extent to which constraints are imposed upon the resources. The following errors were identified in the accompanying 2018 and 2017 financial statements:

- In 2018, lease payments of \$28,645 were incorrectly classified as other financing uses instead of capital outlay in the Special Revenue Street Construction Maintenance and Repair Fund.
- In 2018, permissive license tax monies of \$21,000 were incorrectly classified as fines, licenses, and permits instead of intergovernmental revenue in the Special Revenue Permissive License Tax Fund.
- In 2018, Budgeted Receipts in the budgetary note to the financial statements did not agree to amounts certified by the County Budget Commission by \$25,000 in the Special Revenue Fund.
- In 2017, Budgeted Receipts in the budgetary note to the financial statements did not agree to amounts certified by the County Budget Commission by \$16,549 and \$111,736 in the Capital Projects and Enterprise Funds, respectively.
- In 2018, General Fund encumbrances and subsequent year appropriations in excess of estimated receipts were incorrectly classified as unassigned and committed instead of assigned fund balance by \$161,048.
- In 2018 and 2017, the Capital Projects Fund balance was incorrectly classified as restricted instead of committed fund balance by \$5,096 for both years.

These errors were the result of inadequate policies and procedures in reviewing the financial statements. As a result, the Village's financial statements and notes to the financial statements did not correctly reflect the financial activity of the Village. The accompanying financial statements and notes to the financial statements have been adjusted to correct these and other errors. Additional errors were noted in smaller relative amounts.

To help ensure the Village's financial statements and notes to the financial statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and the audit committee, to identify and correct errors and omissions. In addition, the Fiscal Officer should also review the Auditor of State's Village Handbook which contains a chart of accounts as well as Audit Bulletin 2011-004 for guidance on GASB Statement No. 54.

FINDING NUMBER 2018-002

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.10(F) requires revenue received from the sale of a permanent improvement to be paid into the sinking fund, the bond retirement fund, or a special fund for the construction or acquisition of permanent improvements. **Ohio Rev. Code § 5705.01(E)** defines "permanent improvement" or "improvement" to mean any property, asset, or improvement with an estimated life or usefulness of five years or more, including land and interests therein, and reconstructions, enlargements, and extensions thereof having an estimated life or usefulness of five years or more.

In 2017, the Village inappropriately recorded \$31,336 from the sale of land in the General Fund as charges for services receipts. Given the source of the revenue, this should have been recorded in the Capital Improvement Fund as sale of capital assets. Audit adjustments are reflected in the financial statements and in the accounting records correcting the misstatement.

The lack of controls over the posting of financial transactions decreases the reliability of financial data at year-end and can result in undetected errors and irregularities. The Village should implement controls to help ensure all transactions are reviewed and posted to the proper funds.

Officials' Response:

We did not receive a response from Officials to the findings reported above.

Village of Ottoville
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Ronald N. Miller
Mayor

Jeanne M. Wannemacher
Fiscal Officer

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2018 AND 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	This finding was first reported in 2006. Material weakness for lack of monitoring of financial transactions resulting in errors in the financial statements.	Not corrected and reissued as finding 2018-001 in this report.	The Village declined to offer an explanation why the finding reoccurred. The Village will continue to make improvements where needed, with assistance from auditors and guidance on the correct posting procedures.

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OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF OTTOVILLE

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
JULY 16, 2019**