



Dave Yost • Auditor of State



VILLAGE OF OTTOVILLE  
PUTNAM COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of the Village of Ottoville, Putnam County, Ohio (the Village) as of and for the years ended December 31, 2014 and 2013.

### ***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 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 opinion.

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

As described in Note 1 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, 2014 and 2013, or 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 combined cash balances of the Village of Ottoville, Putnam County, Ohio as of December 31, 2014 and 2013, and its combined cash receipts and disbursements 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 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2015, 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.



**Dave Yost**  
Auditor of State

Columbus, Ohio

June 12, 2015

**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, 2014**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$64,007	\$38,321		\$102,328
Municipal Income Tax	526,424			526,424
Intergovernmental	58,766	78,464		137,230
Charges for Services	40,586			40,586
Fines, Licenses and Permits	156	1,135		1,291
Earnings on Investments	1,369	75		1,444
Miscellaneous	23,032	158		23,190
<i>Total Cash Receipts</i>	<u>714,340</u>	<u>118,153</u>		<u>832,493</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	175,528	16,201		191,729
Transportation	3,250	188,977		192,227
General Government	185,784			185,784
Capital Outlay	88,189	15,999	\$140,532	244,720
Debt Service:				
Principal Retirement	24,535	25,374		49,909
Interest and Fiscal Charges	1,679	1,641		3,320
<i>Total Cash Disbursements</i>	<u>478,965</u>	<u>248,192</u>	<u>140,532</u>	<u>867,689</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>235,375</u>	<u>(130,039)</u>	<u>(140,532)</u>	<u>(35,196)</u>
<b>Other Financing Receipts (Disbursements)</b>				
Other Debt Proceeds			140,532	140,532
Transfers In		155,000		155,000
Transfers Out	(200,000)			(200,000)
Advances In	23,000			23,000
Advances Out	(23,000)			(23,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(200,000)</u>	<u>155,000</u>	<u>140,532</u>	<u>95,532</u>
<i>Net Change in Fund Cash Balances</i>	35,375	24,961		60,336
<i>Fund Cash Balances, January 1</i>	<u>425,033</u>	<u>48,506</u>	<u>353</u>	<u>473,892</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		73,467		73,467
Committed			353	353
Assigned	460,408			460,408
<i>Fund Cash Balances, December 31</i>	<u>\$460,408</u>	<u>\$73,467</u>	<u>\$353</u>	<u>\$534,228</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, 2014**

	Proprietary Fund Type
	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$369,295
Miscellaneous	355
	369,650
<i>Total Operating Cash Receipts</i>	<i>369,650</i>
<b>Operating Cash Disbursements</b>	
Personal Services	86,003
Employee Fringe Benefits	37,342
Contractual Services	127,884
Supplies and Materials	48,660
Other	525
	300,414
<i>Total Operating Cash Disbursements</i>	<i>300,414</i>
<i>Operating Income</i>	<i>69,236</i>
<b>Non-Operating Receipts (Disbursements)</b>	
Earnings on Investments	131
Principal Retirement	(86,567)
Interest and Other Fiscal Charges	(4,049)
	(90,485)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(90,485)</i>
<i>Loss before Transfers and Advances</i>	<i>(21,249)</i>
Transfers In	45,000
Advances In	23,000
Advances Out	(23,000)
	23,751
<i>Net Change in Fund Cash Balances</i>	<i>23,751</i>
<i>Fund Cash Balances, January 1</i>	<i>219,733</i>
<i>Fund Cash Balances, December 31</i>	<i>\$243,484</i>

*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)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$61,586	\$32,251		\$93,837
Municipal Income Tax	483,290			483,290
Intergovernmental	32,710	58,248	\$150,000	240,958
Charges for Services	37,367			37,367
Fines, Licenses and Permits	179	1,443		1,622
Earnings on Investments	1,290	75		1,365
Miscellaneous	15,197	7,650		22,847
<i>Total Cash Receipts</i>	<u>631,619</u>	<u>99,667</u>	<u>150,000</u>	<u>881,286</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	164,597	16,296		180,893
Leisure Time Activities	6,455			6,455
Basic Utility Services	3,500			3,500
Transportation	1,944	142,220	38,878	183,042
General Government	151,939			151,939
Capital Outlay	101,823	109,790	433,935	645,548
Debt Service:				
Principal Retirement	13,675	20,416		34,091
Interest and Fiscal Charges	2,167	1,581		3,748
<i>Total Cash Disbursements</i>	<u>446,100</u>	<u>290,303</u>	<u>472,813</u>	<u>1,209,216</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>185,519</u>	<u>(190,636)</u>	<u>(322,813)</u>	<u>(327,930)</u>
<b>Other Financing Receipts (Disbursements)</b>				
Sale of Notes		77,000		77,000
Other Debt Proceeds			170,468	170,468
Transfers In		100,000	152,345	252,345
Transfers Out	(262,345)			(262,345)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(262,345)</u>	<u>177,000</u>	<u>322,813</u>	<u>237,468</u>
<i>Net Change in Fund Cash Balances</i>	(76,826)	(13,636)		(90,462)
<i>Fund Cash Balances, January 1</i>	<u>501,859</u>	<u>62,142</u>	<u>353</u>	<u>564,354</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		48,506		48,506
Committed			353	353
Assigned	425,033			425,033
<i>Fund Cash Balances, December 31</i>	<u>\$425,033</u>	<u>\$48,506</u>	<u>\$353</u>	<u>\$473,892</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, 2013**

	Proprietary Fund Type
	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$349,308
Miscellaneous	958
	350,266
<i>Total Operating Cash Receipts</i>	<i>350,266</i>
<b>Operating Cash Disbursements</b>	
Personal Services	60,393
Employee Fringe Benefits	21,787
Contractual Services	105,297
Supplies and Materials	47,370
Other	675
	235,522
<i>Total Operating Cash Disbursements</i>	<i>235,522</i>
<i>Operating Income</i>	<i>114,744</i>
<b>Non-Operating Receipts (Disbursements)</b>	
Earnings on Investments	247
Principal Retirement	(118,377)
Interest and Other Fiscal Charges	(5,916)
	(124,046)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(124,046)</i>
<i>Loss before Transfers</i>	<i>(9,302)</i>
Transfers In	10,000
	698
<i>Net Change in Fund Cash Balances</i>	<i>698</i>
<i>Fund Cash Balances, January 1</i>	<i>219,035</i>
<i>Fund Cash Balances, December 31</i>	<i>\$219,733</i>

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

**VILLAGE OF OTTOVILLE  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Ottoville, Putnam County, (the Village) as a body corporate and politic. 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.

The Village participates in the Public Entities Pool of Ohio (PEP), a risk sharing pool available to Ohio local governments. Note 8 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.

**B. Accounting Basis**

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.

**C. Deposits**

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.

**D. Fund Accounting**

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

**1. General Fund**

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

**VILLAGE OF OTTOVILLE  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. 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 Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

**4. 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:

Village Improvement Fund – This fund is used for major projects in the Village, such as the Auglaize Street project which is funded by Ohio Public Works Commission (OPWC) grant, loan monies, and transfers from the General Fund.

**5. 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 - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund 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.

**2. Estimated Resources**

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

**VILLAGE OF OTTOVILLE  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. 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 2014 and 2013 budgetary activity appears in Note 3.

**F. 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:

**1. Nonspendable**

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

**2. 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.

**3. 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.

**4. 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.

**5. 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.

**VILLAGE OF OTTOVILLE  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

**G. Property, Plant, and Equipment**

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

**H. 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.

**2. EQUITY IN POOLED 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:

	2014	2013
Demand deposits	\$525,825	\$442,439
Certificates of deposit	251,887	251,186
Total deposits	\$777,712	\$693,625

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$696,701	\$714,340	\$17,639
Special Revenue	309,363	273,153	(36,210)
Capital Projects	140,179	140,532	353
Enterprise	432,363	414,781	(17,582)
Total	\$1,578,606	\$1,542,806	(\$35,800)

**VILLAGE OF OTTOVILLE  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2014 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$797,710	\$678,965	\$118,745
Special Revenue	276,803	248,192	28,611
Capital Projects	140,532	140,532	
Enterprise	533,426	391,030	142,396
Total	<u>\$1,748,471</u>	<u>\$1,458,719</u>	<u>\$289,752</u>

2013 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$551,307	\$631,619	\$80,312
Special Revenue	289,346	276,667	(12,679)
Capital Projects	639,863	472,813	(167,050)
Enterprise	369,150	360,513	(8,637)
Total	<u>\$1,849,666</u>	<u>\$1,741,612</u>	<u>(\$108,054)</u>

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$831,653	\$708,445	\$123,208
Special Revenue	351,545	290,303	61,242
Capital Projects	639,863	472,813	167,050
Enterprise	508,614	359,815	148,799
Total	<u>\$2,331,675</u>	<u>\$1,831,376</u>	<u>\$500,299</u>

**4. PROPERTY TAX**

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 homestead and rollback deductions. The financial statements include homestead and rollback 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 OTTOVILLE  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**5. LOCAL INCOME TAX**

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.

**6. DEBT**

Debt outstanding at December 31, 2014 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan #CT51F	\$115,688	1%
Ohio Public Works Commission Loan #CM08Q	300,633	0%
Ohio Water Development Authority Loan #4324	313,642	0%
Ohio Water Development Authority Loan #4592	213,549	0%
Sewer Plant Bank Loan	54,426	4%
Real Estate Bank Loan	40,293	3.5%
Truck Bank Loan	35,180	3.35%
Total	<u>\$1,073,411</u>	

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 loan at Ottoville Bank was entered into in 2006 to retire the Sewage System First Mortgage Revenue Bond which was entered into for the purpose of paying the cost of constructing a municipal sewage collection and treatment system in 1977. The note was refinanced in 2011 and has a 4.00 percent interest rate and is scheduled to be paid in full in 2017.

The loan at Ottoville Bank was entered into in 2012 for the purpose of purchasing real estate. The note has a 3.50 percent interest rate and is scheduled to be paid in full in 2017.

**VILLAGE OF OTTOVILLE  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**6. DEBT (Continued)**

The loan at Ottoville Bank was entered into in 2013 for the purpose of purchasing a truck. The note has a 3.35 percent interest rate and is scheduled to be paid in full in 2016.

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

Year ending December 31:	OPWC		OWDA Loans Principal	Bank Loan Principal	Bank Loan Interest
	OPWC Loans Principal	Loans Interest			
2015	\$11,342	\$578	\$33,099	\$68,787	\$3,623
2016	22,776	1,064	46,168	50,683	1,255
2017	22,900	940	46,167	10,429	137
2018	23,026	814	46,167		
2019	23,153	687	46,167		
2020-2024	110,975	1,454	230,837		
2025-2029	51,833		78,586		
2030-2034	51,833				
2035-2039	51,833				
2040-2044	46,650				
Total	<u>\$416,321</u>	<u>\$5,537</u>	<u>\$527,191</u>	<u>\$129,899</u>	<u>\$5,015</u>

**7. RETIREMENT SYSTEMS**

**A. Police and Fire Pension Fund and Ohio Public Employees Retirement System**

The Village's certified Fire Fighters and full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, OP&F participants contributed 10% of their wages through June 30, 2013, then 10.75% through June 30, 2014, and 11.5% through December 31, 2014. For 2014 and 2013, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2014 and 2013, OPERS members contributed 10%, respectively, of their gross salaries and the Village contributed an amount equaling 14%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2014.

**B. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the OP&F/OPERS have an option to choose Social Security or the OP&F/OPERS. As of December 31, 2014, members of Volunteer Fire Department have elected Social Security. The Village's liability is 6.2 percent of wages paid.

**VILLAGE OF OTTOVILLE  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**8. RISK MANAGEMENT**

**Risk Pool Membership**

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

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

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

**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, 2013, 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 accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2012 and 2013 (the latest information available):

	<b><u>2012</u></b>	<b><u>2013</u></b>
Assets	\$34,389,569	\$34,411,883
Liabilities	(14,208,353)	(12,760,194)
Net Position	<b><u>\$20,181,216</u></b>	<b><u>\$21,651,689</u></b>

At December 31, 2012 and 2013, respectively, the liabilities above include approximately \$13.1 million and \$11.6 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$11.1 million of unpaid claims to be billed to approximately 475 member governments in the future, as of December 31, 2012 and 2013, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Village's share of these unpaid claims collectible in future years is approximately \$11,000.

**VILLAGE OF OTTOVILLE  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**8. RISK MANAGEMENT (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>Contributions to PEP</u>	
<u>2012</u>	<u>2013</u>
\$13,641	\$15,384

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.

**9. INTERFUND TRANSFERS**

During 2014 the following transfers were made:

		Transfers Out
		General
	Governmental Funds:	
	Street Construction, Maintenance and Repair	\$150,000
	Police	5,000
	Total Governmental Funds	155,000
	Proprietary Funds:	
	Sewer Operating	35,000
	Sewer Reserve	6,000
	Water Reserve	4,000
	Total Proprietary Funds	45,000
	Total	\$200,000

Transfers In

**VILLAGE OF OTTOVILLE  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**9. INTERFUND TRANSFERS (Continued)**

During 2013 the following transfers were made:

		Transfers Out
		General
	Governmental Funds:	
	Street Construction, Maintenance and Repair	\$100,000
	Other Capital Projects	152,345
	Total Governmental Funds	252,345
	Proprietary Funds:	
	Sewer Reserve	6,000
	Water Reserve	4,000
	Total Proprietary Funds	10,000
	Total	\$262,345

Transfers In

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, move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and use unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**10. INTERFUND ADVANCES**

During 2014 \$23,000 was advanced from the General Fund to the Sewer Operating Fund and later returned during the year.



# Dave Yost • Auditor of State

## 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  
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 Village of Ottoville, Putnam County, Ohio (the Village) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated June 12, 2015 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 opinion 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of 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. We consider finding 2014-001 described in the accompanying schedule of findings to be a material weakness.

***Compliance and Other Matters***

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

June 12, 2015

**VILLAGE OF OTTOVILLE  
PUTNAM COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 AND 2013**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2014-001**

**Material Weakness - Financial Reporting**

Accurate financial reporting is the responsibility of Village management and is essential to ensure the information provided to the readers of the financial statements accurately reflects the Village's activity. The 2014 and 2013 financial statements contained material errors, such as the following:

- Proceeds from the Sale of Notes, for the purchase of a truck for \$77,000, was incorrectly recorded as Other Financing Sources in the Street Construction Maintenance and Repair Fund in 2013.
- Intergovernmental Revenue received from the State of Ohio's Petro Underground Storage Fund, in the amount of \$31,853, was misclassified as Miscellaneous Revenue in the General Fund in 2014.
- Intergovernmental Revenue received from Putnam County in the amount of \$24,000 was incorrectly recorded as Fines, Licenses and Permits in the Permissive Motor Vehicle License Fund in 2014.

Adjusting entries were posted to the financial statements to correct these and other errors, ranging from \$1 to \$77,000. The Village's lack of a policy regarding financial review contributed to the above errors occurring without detection. To help ensure the Village's financial statements and notes to the statements are complete and accurate, Council should adopt policies and procedures, including a final review of the financial statements, and notes to the financial statements to identify and correct errors and omissions.

**Officials' Response:**

We did not receive a response from Officials to this finding.

VILLAGE OF OTTOVILLE  
PUTNAM COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2014 AND 2013

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2012-001	Material weakness regarding financial reporting due to errors on financial statements.	No	Not Corrected. Repeated as finding 2014-001 in this report.



# Dave Yost • Auditor of State

**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 2, 2015**