



Dave Yost • Auditor of State

VILLAGE OF OTTAWA
PUTNAM COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position – Cash Basis.....	3
Statement of Activities – Cash Basis	4
Fund Financial Statements:	
Statement of Assets and Fund Balances – Cash Basis – Governmental Funds	6
Statement of Receipts, Disbursements, and Changes in Fund Balances – Cash Basis – Governmental Funds.....	8
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual - Budget Basis – General Fund	10
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual - Budget Basis – Income Tax Fund	11
Statement of Fund Net Position – Cash Basis – Proprietary Funds.....	12
Statement of Receipts, Disbursements, and Changes in Fund Net Position – Cash Basis – Proprietary Funds	13
Notes to the Basic Financial Statements	15
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	35
Schedule of Findings.....	37
Summary Schedule of Prior Audit Findings	39

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Ottawa, Putnam County, Ohio (the Village), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Ottawa, Putnam County, Ohio, as of December 31, 2015, and the respective changes in cash financial position and the respective budgetary comparison for the General and Income Tax Funds thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

We draw attention to Note 2 of the financial statements, which describes the accounting basis. The financial statements are prepared on the cash basis of accounting, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2017, 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

January 10, 2017

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

*Statement of Net Position - Cash Basis
December 31, 2015*

	Governmental Activities	Business - Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$4,939,041	\$2,534,598	\$7,473,639
Investments	13,358		13,358
<i>Total Assets</i>	<u>\$4,952,399</u>	<u>\$2,534,598</u>	<u>\$7,486,997</u>
Net Position			
Restricted for:			
Capital Projects	\$357,393		\$357,393
Other Purposes	417,440		417,440
Unrestricted	4,177,566	\$2,534,598	6,712,164
<i>Total Net Position</i>	<u>\$4,952,399</u>	<u>\$2,534,598</u>	<u>\$7,486,997</u>

See accompanying notes to the basic financial statements

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

*Statement of Activities - Cash Basis
For the Year Ended December 31, 2015*

	Program Cash Receipts			
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Current:				
Security of Persons and Property	\$770,874	\$30,556	\$12,880	
Leisure Time Activities	98,869	980		
Community Environment	72,788	41,129		\$310,865
Basic Utility Services	991			12,833
Transportation	205,523	504		25,000
General Government	462,975	8,377		
Capital Outlay	2,531,304			
Debt Service:				
Principal Retirement	413,174			
Interest and Fiscal Charges	170,315			
<i>Total Governmental Activities</i>	<u>4,726,813</u>	<u>81,546</u>	<u>12,880</u>	<u>348,698</u>
Business-Type Activities				
Water Operating	2,000,496	1,665,934		
Sewer Operating	1,663,056	1,500,376		
<i>Total Business-Type Activities</i>	<u>3,663,552</u>	<u>3,166,310</u>		
Total	<u><u>\$8,390,365</u></u>	<u><u>\$3,247,856</u></u>	<u><u>\$12,880</u></u>	<u><u>\$348,698</u></u>

General Receipts

Property Taxes Levied for:
 General Purposes
 Municipal Income Taxes
 Grants and Entitlements not Restricted to Specific Programs
 Sale of Notes
 Sale of Capital Assets
 Earnings on Investments
 Miscellaneous
 Transfers

Total General Receipts

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

See accompanying notes to the basic financial statements

Net (Disbursements) Receipts and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
(\$727,438)		(\$727,438)
(97,889)		(97,889)
279,206		279,206
11,842		11,842
(180,019)		(180,019)
(454,598)		(454,598)
(2,531,304)		(2,531,304)
(413,174)		(413,174)
(170,315)		(170,315)
(4,283,689)		(4,283,689)
	(\$334,562)	(334,562)
	(162,680)	(162,680)
	(497,242)	(497,242)
(4,283,689)	(497,242)	(4,780,931)
316,175		316,175
1,868,125		1,868,125
422,563	40	422,603
478,469		478,469
6,486	1,918	8,404
22,960		22,960
206,339	74,396	280,735
20,000	(20,000)	
3,341,117	56,354	3,397,471
(942,572)	(440,888)	(1,383,460)
5,894,971	2,975,486	8,870,457
\$4,952,399	\$2,534,598	\$7,486,997

VILLAGE OF OTTAWA
PUTNAM COUNTY

Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
December 31, 2015

	<u>General</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$1,844,288
Investments	<u>8,214</u>
<i>Total Assets</i>	<u><u>\$1,852,502</u></u>
Fund Balances	
Restricted	
Committed	\$67,025
Assigned	1,206,745
Unassigned	<u>578,732</u>
<i>Total Fund Balances</i>	<u><u>\$1,852,502</u></u>

See accompanying notes to the basic financial statements

Income Tax Fund	Other Governmental Funds	Total Governmental Funds
\$2,325,064	\$769,689 5,144	\$4,939,041 13,358
<u>\$2,325,064</u>	<u>\$774,833</u>	<u>\$4,952,399</u>
\$2,325,064	\$774,833	\$774,833 2,392,089 1,206,745 578,732
<u>\$2,325,064</u>	<u>\$774,833</u>	<u>\$4,952,399</u>

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

*Statement of Receipts, Disbursements and Changes Fund Balances - Cash Basis
Governmental Funds
For the Year Ended December 31, 2015*

	General	Income Tax Fund	West Ottawa Pump Station Fund
Receipts			
Municipal Income Taxes		\$1,868,125	
Property Taxes	\$229,548		
Other Local Taxes			
Intergovernmental	103,184		\$85,000
Special Assessments		459	
Charges for Services	33,234	1,358	
Fines, Licenses and Permits	45,635		
Earnings on Investments	22,118		
Miscellaneous	64,493	111,846	
<i>Total Receipts</i>	<u>498,212</u>	<u>1,981,788</u>	<u>85,000</u>
Disbursements			
Current:			
Security of Persons and Property	134,347	543,189	
Leisure Time Activities	98,869		
Community Environment	60,788		
Basic Utility Services	991		
Transportation			
General Government	204,422	256,193	
Capital Outlay	9,588	698,428	412,400
Debt Service:			
Principal Retirement		413,174	
Interest and Fiscal Charges		168,710	
<i>Total Disbursements</i>	<u>509,005</u>	<u>2,079,694</u>	<u>412,400</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(10,793)</u>	<u>(97,906)</u>	<u>(327,400)</u>
Other Financing Sources (Uses)			
Sale of Notes			327,400
Sale of Capital Assets	110	6,376	
Transfers In	60,000		
Transfers Out	(10,000)	(20,000)	
Advances In	11,810		
Advances Out			
<i>Total Other Financing Sources (Uses)</i>	<u>61,920</u>	<u>(13,624)</u>	<u>\$327,400</u>
<i>Net Change in Fund Balances</i>	51,127	(111,530)	
<i>Fund Balances Beginning of Year</i>	<u>1,801,375</u>	<u>2,436,594</u>	
<i>Fund Balances End of Year</i>	<u>\$1,852,502</u>	<u>\$2,325,064</u>	

See accompanying notes to the basic financial statements

Other Governmental Funds	Total Governmental Funds
	\$1,868,125
\$86,627	316,175
25,000	25,000
570,957	759,141
	459
504	35,096
356	45,991
842	22,960
30,000	206,339
<u>714,286</u>	<u>3,279,286</u>
93,338	770,874
	98,869
12,000	72,788
	991
205,523	205,523
2,360	462,975
1,410,888	2,531,304
	413,174
1,605	170,315
<u>1,725,714</u>	<u>4,726,813</u>
<u>(1,011,428)</u>	<u>(1,447,527)</u>
151,069	478,469
	6,486
	60,000
(10,000)	(40,000)
	11,810
(11,810)	(11,810)
<u>129,259</u>	<u>504,955</u>
(882,169)	(942,572)
<u>1,657,002</u>	<u>5,894,971</u>
<u>\$774,833</u>	<u>\$4,952,399</u>

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2015*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property Taxes	\$227,083	\$229,576	\$229,548	(\$28)
Intergovernmental	82,920	82,558	103,184	20,626
Charges for Services	52,787	52,787	33,234	(19,553)
Fines, Licenses and Permits	35,520	35,520	45,635	10,115
Earnings on Investments	21,010	21,010	22,118	1,108
Miscellaneous	5,500	5,500	64,493	58,993
<i>Total Receipts</i>	<u>424,820</u>	<u>426,951</u>	<u>498,212</u>	<u>71,261</u>
Disbursements				
Current:				
Security of Persons and Property	182,488	182,489	141,705	40,784
Leisure Time Activities	134,734	134,734	100,260	34,474
Community Environment	273,543	273,543	65,533	208,010
Basic Utility Services	6,678	6,678	991	5,687
General Government	281,140	285,140	211,017	74,123
Capital Outlay	1,047,402	861,312	10,306	851,006
<i>Total Disbursements</i>	<u>1,925,985</u>	<u>1,743,896</u>	<u>529,812</u>	<u>1,214,084</u>
<i>Excess of Disbursements over Receipts</i>	<u>(1,501,165)</u>	<u>(1,316,945)</u>	<u>(31,600)</u>	<u>1,285,345</u>
Other Financing Sources (Uses)				
Sale of Notes	122,090			
Sale of Capital Assets			110	110
Transfers In			60,000	60,000
Transfers Out		(10,000)	(10,000)	
Advances In			11,810	11,810
Other Financing Uses	(100)	(100)		100
<i>Total Other Financing Sources (Uses)</i>	<u>121,990</u>	<u>(10,100)</u>	<u>61,920</u>	<u>72,020</u>
<i>Net Change in Fund Balance</i>	<u>(1,379,175)</u>	<u>(1,327,045)</u>	<u>30,320</u>	<u>1,357,365</u>
<i>Unencumbered Fund Balance Beginning of Year</i>	1,783,840	1,783,840	1,783,840	
Prior Year Encumbrances Appropriated	17,535	17,535	17,535	
<i>Unencumbered Fund Balance End of Year</i>	<u>\$422,200</u>	<u>\$474,330</u>	<u>\$1,831,695</u>	<u>\$1,357,365</u>

See accompanying notes to the basic financial statements

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Income Tax Fund
For the Year Ended December 31, 2015*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Municipal Income Taxes	\$1,599,999	\$1,599,999	\$1,868,125	\$268,126
Special Assessments			459	459
Charges for Services	88,500	88,500	1,358	(87,142)
Miscellaneous			111,846	111,846
<i>Total Receipts</i>	1,688,499	1,688,499	1,981,788	293,289
Disbursements				
Current:				
General Government	421,124	431,124	260,114	171,010
Security of Persons and Property	606,111	606,111	548,283	57,828
Capital Outlay	2,520,072	2,430,881	904,643	1,526,238
Debt Service:				
Principal Retirement	366,213	436,138	428,210	7,928
Interest and Fiscal Charges	182,335	171,601	168,710	2,891
<i>Total Disbursements</i>	4,095,855	4,075,855	2,309,960	1,765,895
<i>Excess of Disbursements Over Receipts</i>	(2,407,356)	(2,387,356)	(328,172)	2,059,184
Other Financing Sources				
Sale of Capital Assets			6,376	6,376
Transfers Out		(20,000)	(20,000)	
<i>Total Other Financing Sources</i>		(20,000)	(13,624)	6,376
<i>Net Change in Fund Balance</i>	(2,407,356)	(2,407,356)	(341,796)	2,065,560
<i>Unencumbered Fund Balance Beginning of Year</i>	2,202,825	2,202,825	2,202,825	
Prior Year Encumbrances Appropriated	233,769	233,769	233,769	
<i>Unencumbered Fund Balance End of Year</i>	\$29,238	\$29,238	\$2,094,798	\$2,065,560

See accompanying notes to the basic financial statements

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

*Statement of Fund Net Position - Cash Basis
Proprietary Funds
December 31, 2015*

	Business-Type Activities			Total Enterprise Funds
	Water Operating Fund	Sewer Operating Fund	Other Enterprise Fund	
Assets				
Equity in Pooled Cash and Cash Equivalents	<u>\$1,124,201</u>	<u>\$1,095,500</u>	<u>\$314,897</u>	<u>\$2,534,598</u>
Net Position				
Unrestricted	<u>\$1,124,201</u>	<u>\$1,095,500</u>	<u>\$314,897</u>	<u>\$2,534,598</u>

See accompanying notes to the basic financial statements

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

*Statement of Receipts, Disbursements and Changes in Fund Net Position - Cash Basis
Proprietary Funds
For the Year Ended December 31, 2015*

	Business-Type Activities		
	Water Operating Fund	Sewer Operating Fund	Other Enterprise Fund
Operating Receipts			
Charges for Services	\$1,615,994	\$1,431,666	
Miscellaneous	74,396		
<i>Total Operating Receipts</i>	<u>1,690,390</u>	<u>1,431,666</u>	
Operating Disbursements			
Personal Services	351,682	327,448	
Employee Fringe Benefits	200,504	200,263	
Contractual Services	237,022	280,621	
Supplies and Materials	215,984	97,207	
Other	18,971		
<i>Total Operating Disbursements</i>	<u>1,024,163</u>	<u>905,539</u>	
<i>Operating Income</i>	666,227	526,127	
Non-Operating Receipts (Disbursements)			
Intergovernmental Revenues	40		
Special Assessments	49,940	68,710	
Sale of Capital Assets	1,214	704	
Capital Outlay	(635,313)	(301,342)	
Principal Retirement	(244,030)	(376,288)	
Interest and Other Fiscal Charges	(96,990)	(79,887)	
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(925,139)</u>	<u>(688,103)</u>	
<i>Loss before Transfers</i>	(258,912)	(161,976)	
Transfers Out	(10,000)	(10,000)	
<i>Change in Net Position</i>	(268,912)	(171,976)	
<i>Net Position Beginning of Year</i>	<u>1,393,113</u>	<u>1,267,476</u>	<u>\$314,897</u>
<i>Net Position End of Year</i>	<u>\$1,124,201</u>	<u>\$1,095,500</u>	<u>\$314,897</u>

See accompanying notes to the basic financial statements

<hr/> <hr/>	
<u>Total</u>	
<u>Enterprise Funds</u>	
	\$3,047,660
	74,396
	<hr/> 3,122,056 <hr/>
	679,130
	400,767
	517,643
	313,191
	18,971
	<hr/> 1,929,702 <hr/>
	1,192,354
	40
	118,650
	1,918
	(936,655)
	(620,318)
	(176,877)
	<hr/> (1,613,242) <hr/>
	(420,888)
	<hr/> (20,000) <hr/>
	(440,888)
	<hr/> 2,975,486 <hr/>
	<u>\$2,534,598</u> <hr/> <hr/>

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 1 – REPORTING VILLAGE

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

A. Primary Government

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

B. Component Units

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

C. Public Village Risk Pools

The Village participates in a public Village risk pool. Note 7 to the financial statements provides additional information for this Village. This organization is the Public Entities Pool of Ohio.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. The following are the more significant of the Village's accounting policies.

A. Basis of Presentation

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

Government-Wide Financial Statements

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

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

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

Fund Financial Statements

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

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

B. Fund Accounting

The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting Village with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into two categories, governmental and proprietary.

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Village has three major governmental funds including the General Fund, Income Tax Fund, and West Ottawa Pump Station Fund.

- The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.
- The Income Tax Fund is a special revenue fund used primarily to fund capital improvements. Its use is restricted by Village ordinance.
- The West Ottawa Pump Station Fund is a capital project fund established for the receipt and disbursement of grant and loan monies.

The other governmental funds of the Village account for grants and other resources whose use is

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

restricted to a particular purpose.

Proprietary Funds

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

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

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

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

C. Basis of Accounting

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

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

D. Budgetary Process

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

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

amounts represent the final appropriation amounts passed by the Village Council during the year.

E. Cash and Investments

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

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

During 2015, the Village invested in nonnegotiable certificates of deposit, savings accounts, money market funds, and STAR Ohio. Investments are reported at cost, except for STAR Ohio.

STAR Ohio (the State Treasury Asset Reserve of Ohio) is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2015.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2015 was \$22,118, which includes \$14,668 assigned from other Village funds.

F. Inventory and Prepaid Items

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

G. Capital Assets

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

H. Interfund Receivables/Payables

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

I. Accumulated Leave

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

J. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

K. Long-Term Obligations

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

L. Net Position

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

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

M. Fund Balance

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

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

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

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

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

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

contractual requirements.

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

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

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

N. Interfund Transactions

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

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

NOTE 3 – BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund, and Income Tax Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year-end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year-end (budgetary basis) amounted to \$20,807 for the General Fund and \$230,266 in the Income Tax Fund.

In addition, as part of Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting", certain funds that are legally budgeted in separate special revenue funds (budget stabilization and termination benefit funds) are considered part of the General Fund on the cash basis. This resulted in a change in unencumbered fund balance at the beginning of the year on the General Fund budgetary statement from \$1,193,007 to \$1,783,840.

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

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

Net Change in Fund Cash Balance		
	General Fund	Income Tax Fund
Cash Basis	\$51,127	(\$111,530)
Adjustment for Encumbrances	(20,807)	(230,266)
Budget Basis	\$30,320	(\$341,796)

NOTE 4 – DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

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

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$3,907,131 of the Village's bank balance of \$7,554,191 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

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

NOTE 5 – INCOME TAXES

The Village levies a 1 percent income tax whose proceeds are placed into the Income Tax Fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

NOTE 6 – PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2015 represent the collection of 2014 taxes. Real property taxes received in 2015 were levied after October 1, 2014, on the assessed values as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2015 represent the collection of 2014 taxes. Public utility real and tangible personal property taxes received in 2015 became a lien on December 31, 2013, were levied after October 1, 2014, and are collected in 2015 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The full tax rate for all Village operations for the year ended December 31, 2015, was \$4.00 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

property upon which 2015 property tax receipts were based are as follows:

Real Property	
Residential	\$64,782,180
Agriculture	1,133,560
Commercial/Industrial/Mineral	21,016,240
Public Utility Property	
Real	21,650
Personal	4,196,100
Total Assessed Value	\$91,149,730

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 Village 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, 2015, 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, 2014 and 2015.

	<u>2014</u>	<u>2015</u>
Assets	\$35,402,177	\$38,307,677
Liabilities	(12,363,257)	(12,759,127)
Net Position	<u>\$23,038,920</u>	<u>\$25,548,550</u>

At December 31, 2014 and 2015, respectively, the liabilities above include approximately 11.1 million and \$11.5 million of estimated incurred claims payable. The assets above also include approximately \$10.8 million and \$11.0 million of unpaid claims to be billed. The Pool’s membership increased from 488 members in 2014 to 499 members in 2015. These amounts will be included in future contributions from

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

members when the related claims are due for payment. As of December 31, 2015, the Village's share of these unpaid claims collectible in future years is approximately \$57,000.

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

<u>Contributions to PEP</u>	
<u>2014</u>	<u>2015</u>
\$86,404	\$90,966

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

A. Ohio Public Employees Retirement System

Plan Description - Village employees, other than full-time police, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Village employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Public Safety	Public Safety	Public Safety
Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
Law Enforcement	Law Enforcement	Law Enforcement
Age and Service Requirements: Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
Public Safety and Law Enforcement	Public Safety and Law Enforcement	Public Safety and Law Enforcement
Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

	State and Local	Public Safety	Law Enforcement
2015 Statutory Maximum Contribution Rates			
Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	*	**
2015 Actual Contribution Rates			
Employer:			
Pension	12.0 %	16.1 %	16.1 %
Post-employment Health Care Benefits	2.0	2.0	2.0
Total Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	12.0 %	13.0 %
* This rate is determined by OPERS' Board and has no maximum rate established by ORC.			
** This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.			

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The Village's contractually required contribution was \$113,364 for year 2015.

B. Ohio Police and Fire Pension Fund (OPF)

Plan Description – Village full-time police participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OPF offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	Police		Firefighters	
2015 Statutory Maximum Contribution Rates				
Employer	19.50	%	24.00	%
Employee:				
January 1, 2015 through July 1, 2015	11.50	%	11.50	%
July 2, 2015 through December 31, 2015	12.25	%	12.25	%
2015 Actual Contribution Rates				
Employer:				
Pension	19.00	%	23.50	%
Post-employment Health Care Benefits	0.50		0.50	
Total Employer	19.50	%	24.00	%
Employee:				
January 1, 2015 through July 1, 2015	11.50	%	11.50	%
July 2, 2015 through December 31, 2015	12.25	%	12.25	%

Employer contribution rates are expressed as a percentage of covered payroll. The Village's contractually required contribution to OPF was \$57,456 for 2015.

C. Social Security System

Certain Village's employees and officials contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participant.

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, 2015

NOTE 9 – POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

pension plans: the traditional plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains two cost-sharing, multiple-employer defined benefit postemployment health care trusts, which fund 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 of both the traditional pension and the combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml> by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2015, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

OPERS maintains three health care trusts. The two cost-sharing, multiple employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees determines the portion of the employer contributions rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2015. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0 percent for both plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for 2015 was 4.5 percent.

Substantially all of the Village's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2015, 2014, and 2013 was \$18,894, \$18,291, and \$8,963 respectively. For 2015, 100

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2014 and 2013.

B. Ohio Police and Fire Pension Fund

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

OPF provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OPF meets the definition of an Other Post Employment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 45.

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

OPF issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OPF defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and fire employer units. Active members do not make contributions to the OPEB Plan.

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contributions allocated to health care was 0.5 percent of covered payroll from January 1, 2015 through December 31, 2015. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The Village's contribution to OPF for the years ended December 31, 2015, 2014, and 2013 were \$58,968, \$57,288, and \$51,244, respectively, of which \$1,512, \$1,469, and \$9,654, respectively, was allocated to the healthcare plan. For 2015, 100 percent has been contributed for the police. The full amount has been contributed for 2014 and 2013.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

NOTE 10 – DEBT

The Village's long-term debt activity for the year ended December 31, 2015 was as follows:

	Interest Rate	Balance December 31, 2014	Additions	Reductions	Balance December 31, 2015	Due Within One Year
<u>Governmental Activities</u>						
General Obligation Bonds 2005	3.25-5%	\$95,000		\$95,000		
General Obligation Bonds 2011	2.0-4.5%	2,525,000		170,000	\$2,355,000	\$175,000
General Obligation Bonds 2014		1,900,000		70,000	1,830,000	160,000
Promissory Note (Fire Truck)		536,606		48,102	488,504	49,461
State Infrastructure Bank Loan (Williamstown Road)	0-3%	135,179	\$3,725		138,904	
State Infrastructure Bank Loan (Putnam Parkway)	0-3%	178,729	13,236		191,965	
OWDA Loan #6858 (WWTP Screening Facility)	2.28%		122,513		122,513	26,124
OPWC Loan - Storm Sewer	0%	45,108		30,072	15,036	15,036
OPWC Loan – W. Ottawa Pump	0%		327,400		327,400	16,370
Total Governmental Activities		<u>\$5,415,622</u>	<u>\$466,874</u>	<u>\$413,174</u>	<u>\$5,469,322</u>	<u>441,991</u>
<u>Business-type Activities</u>						
OPWC Loan – Pohl Sewer	0%	\$223,507		\$17,195	\$206,312	\$17,192
OPWC Loan – Street Pump	0%	112,374		5,763	106,611	5,763
OWDA Loan #2447 (WWTP)	4.12%	1,775,302		326,706	1,448,596	340,305
OWDA Loan #6643 (Lime Sludge)	0%	79,216	\$11,595	8,290	82,521	8,456
OWDA Loan #6065 (Waterline/Meters)	2.0%	1,047,058		46,456	1,000,602	49,958
OWDA Loan #3790 (WTP)	3.15%	731,010		67,133	663,877	69,264
OWDA Loan #4380 (Pohl Water)	2.75%	518,775		37,035	481,740	38,062
OWDA Loan #4381 (Pohl Sewer)	2.75%	372,966		26,627	346,339	27,364
OWDA Loan #4570 (Tank)	2.84%	300,661		20,347	280,314	20,930
OWDA Loan #4783 (Bluffton)	2.75%	1,089,442		64,766	1,024,676	66,559
Total Business-type Activities		<u>\$6,250,311</u>	<u>\$11,595</u>	<u>\$620,318</u>	<u>\$5,641,588</u>	<u>\$643,853</u>

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

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

The 2005 general obligation bonds were issued for the purpose of building the community learning center. These bonds were retired in 2015.

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

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

improvement, road equipment, water improvement, and sewer equipment.

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

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

The Ohio Public Works Commission 0% loans relate to a storm sewer project, street pump and sanitary sewer extension, West Ottawa pump station, and Pohl Road sewer extension. The storm sewer loan will be repaid in semiannual installments of \$15,036 over 20 years. Income tax revenues are the dedicated source of repayment for this loan. The street pump loan will be repaid in semiannual installments of \$2,881 over 20 years. Sewer revenues are the dedicated source of repayment for this loan. The West Ottawa pump station loan will be paid in semiannual installments of \$8,185 over 20 years. Sewer revenues are the dedicated source of repayment for this loan. The Pohl Road sewer extension loan will be repaid in semiannual installments of \$8,596 over 20 years. Sewer revenues are the dedicated source of repayment for this loan. The Village has been awarded two additional 0% loans for the Clearwell Bypass Project and the S. Perry Pump Station Project. Water revenues and sewer revenues respectively, will be the dedicated source of repayment for these loans. Construction on these projects has not begun so these loans are not included in the accompanying amortization schedule.

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

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

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

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

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

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

The OWDA loan #4783 is for construction of a waterline to supply water to a neighboring village. The increased consumption is essential in stabilizing water rates for all users of the water system. This loan will be repaid in semiannual installments over 20 years, and will be repaid with water receipts.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

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

The OWDA loan #6858 is for design of a screening facility at the wastewater treatment plant. During 2015, the loan was not complete and therefore the entire loan amount had not been utilized. As of December 31, 2015, the Village had loan proceeds of \$14,235 available that the Village had not drawn from OWDA but were included in the amortization table below. This loan will be repaid in semiannual installments over 5 years starting in 2016.

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

Year	G.O. Bonds		OWDA Loans	
	Principal	Interest	Principal	Interest
2016	\$335,000	\$143,663	\$647,023	\$155,819
2017	345,000	132,838	669,413	134,027
2018	370,000	121,695	692,619	111,434
2019	380,000	109,632	716,671	88,010
2020	395,000	96,224	340,997	67,806
2021 – 2025	2,105,000	276,517	1,547,754	208,726
2026 – 2030	255,000	11,473	714,910	47,416
2031-- 2035			136,026	3,418
Totals	<u>\$4,185,000</u>	<u>\$892,042</u>	<u>\$5,465,413</u>	<u>\$816,656</u>

Year	Promissory Note		OPWC	State Bank
	Principal	Interest	Loans	Loans
2016	\$49,461	\$14,215	\$54,361	
2017	51,028	12,648	39,325	\$37,178
2018	52,602	11,074	39,325	38,302
2019	54,224	9,452	39,325	39,460
2020	55,872	7,803	39,326	40,653
2021 – 2025	225,317	13,387	196,629	175,276
2026 -- 2030			145,050	
2031 – 2035			102,018	
Totals	<u>\$488,504</u>	<u>\$68,579</u>	<u>\$655,359</u>	<u>\$330,869</u>

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2015, were an overall debt margin of \$5,385,721 and an unvoted debt margin of \$828,235.

NOTE 11 – LEASE

The Village entered a lease-purchase agreement on September 15, 2014 with Key Government Finance for a sewer camera system valued at \$172,090. The Village disbursed \$26,646 to pay lease costs for the year ended December 31, 2015.

The Village entered a lease-purchase agreement on September 15, 2015 with Key Government Finance for a street sweeper valued at \$240,809. The Village disbursed \$50,954 to pay lease costs for the year ended December 31, 2015.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

The Village entered a lease-purchase agreement on September 1, 2015 with Caterpillar Financial Services Corporation for a wheel loader valued at \$150,502. The Village disbursed \$30,857 to pay lease costs for the year ended December 31, 2015.

Future lease payments including interest are as follows:

<u>Year</u>	<u>Amount</u>
2016	\$108,463
2017	108,463
2018	111,649
2019	77,605
Totals	<u>\$406,180</u>

NOTE 12 – CONSTRUCTION AND CONTRACTUAL COMMITMENTS

<u>Vendor/Project</u>	<u>Contract Amount</u>	<u>Balance Outstanding 12/31/15</u>
Utility Services 1 Year for Water Tank Maintenance (4 th year of 6-year Program)	\$71,549	\$71,549
Utility Services Install TRS System (4 th year of 6-year Program)	\$49,292	\$49,292
Putnam County YMCA Donation (12 th year of 15-year Commitment)	\$1,500,000	\$326,497

NOTE 13 – CONTINGENT LIABILITIES

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

NOTE 14 – INTERFUND TRANSFERS

During 2015 the following transfers were made:

		<u>Transfers In</u>
		<u>General</u>
	Governmental Funds:	
Transfers Out	General Fund	\$10,000
	SCMR Fund	10,000
	Income Tax Fund	20,000
	Business Type Funds	
	Water Fund	10,000
	Sewer Fund	<u>10,000</u>

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

Total \$60,000

NOTE 15 – FUND BALANCES

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

	General Fund	Income Tax Fund	Other Governmental Funds	Total Governmental Funds
Restricted for:				
Road Improvement			\$598,530	\$598,530
Disaster Drug & Alcohol Enforcement			11,941	11,941
Fire Operations			5,006	5,006
Debt Service			141,356	141,356
Basic Utility			18,000	18,000
Total Restricted			<u>774,833</u>	<u>774,833</u>
Committed for:				
General Govt	\$67,025	\$3,922		70,947
Capital Outlay		206,215		206,215
Debt Service		15,036		15,036
General		2,094,798		2,094,798
Police		5,093		5,093
Total Committed	<u>67,025</u>	<u>2,325,064</u>		<u>2,392,089</u>
Assigned for:				
General Govt	6,596			6,596
Community	4,745			4,745
Recreation	1,390			1,390
Fire Operations	7,133			7,133
Security	225			225
Capital	718			718
Subsequent Year Budget	1,185,938			1,185,938
Total Assigned	<u>1,206,745</u>			<u>1,206,745</u>
Unassigned	<u>578,732</u>			<u>578,732</u>
Total Fund Balance	<u>\$1,852,502</u>	<u>\$2,325,064</u>	<u>\$774,833</u>	<u>\$4,952,399</u>

NOTE 16 – MISCELLANEOUS RECEIPTS

Miscellaneous receipts in the General Fund consisted of a bid bond from Morlock Asphalt and building rent. Miscellaneous revenue in the Income Tax Fund consisted of farm rent. Miscellaneous revenue in the Water Fund consisted of insurance proceeds.



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

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Ottawa, Putnam County, Ohio (the Village) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated January 10, 2017, wherein we noted the Village uses a special purpose framework other than generally accepted accounting principles.

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.

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 a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2015-001 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*.

Entity's Response to Findings

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

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.



Dave Yost
Auditor of State

Columbus, Ohio

January 10, 2017

VILLAGE OF OTTAWA
PUTNAM COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2015

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

FINDING NUMBER 2015-001

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. In addition, GASB Statement No. 54 requires fund balance be divided into one of five classifications based on the extent to which constraints are imposed upon the resources.

The Village lacked a policy regarding financial review which contributed to material posting discrepancies such as the following, occurring without detection:

- As of December 31, 2015, unassigned fund balance was overstated and assigned and committed fund balances were understated in the General Fund by \$113,767 for the subsequent year's appropriations and \$67,025 for termination benefits, respectively.
- Lease and rental income in the amount of \$111,846 was incorrectly posted as charges for services instead of miscellaneous revenue in the Income Tax Fund and Governmental Type Activities.
- Rental income and payment in lieu of taxes in the amount of \$26,135 was incorrectly posted as charges for services instead of miscellaneous revenue in the General Fund and Governmental Type Activities.

The accompanying financial statements have been adjusted to correct these and other audit adjustments.

To ensure the Village's financial statements and notes to the financial 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:

The Village of Ottawa will follow this guidance in the future.

This page intentionally left blank.

VILLAGE OF OTTAWA
PUTNAM COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015

Finding Number	Finding Summary	Status	Additional Information
2014-001	Material weakness for monitoring of financial transactions due to errors in the financial statements.	Not Corrected. Reissued as Finding 2015-001 in this report.	An effort was made to correct prior audit posting errors and properly follow GASB 54. The Village of Ottawa will follow this guidance in the future.

This page intentionally left blank.



Dave Yost • Auditor of State

VILLAGE OF OTTAWA

PUTNAM COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 2, 2017