



Dave Yost • Auditor of State

VILLAGE OF OTTAWA
PUTNAM COUNTY

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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, 2012, 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, 2012, 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, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

We audited to opine on the Village's financial statements that collectively comprise its basic financial statements.

Management's Discussion and Analysis includes tables of net position, changes in net position and governmental activities. These tables provide additional analysis and are not a required part of the basic financial statements.

These tables are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion and Analysis, and we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 3, 2013, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D" and a long, sweeping tail on the "y".

Dave Yost
Auditor of State

Columbus, Ohio

September 3, 2013

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**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
UNAUDITED**

This discussion and analysis of the Village of Ottawa's (the Village's) financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2012, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2012 are as follows:

Net position of governmental activities decreased \$1,491,706, or 23 percent, a significant change from the prior year. The decrease can be attributed mostly to the expenditure of proceeds from the Various Purpose General Obligation Capital Asset Bonds as intended. The funds most affected by the decrease are the Road Improvements Fund and Other Governmental Funds.

General receipts represent 46 percent of the Village's total receipts, and of this amount, 51 percent are local taxes. Nearly 32 percent are proceeds from note issuance, 11 percent are grants and entitlements not restricted to specific programs, and the remaining 6 percent is interest earnings which can fluctuate annually due to rate of return, proceeds from insurance, miscellaneous receipts such as refunds of prior year expenditures, and sale of capital assets.

The Water Operating Fund and Sewer Operating Fund are the Village's major business-type activities. The Water Operating Fund realized an increase in net position of 7 percent, while the Sewer Operating Fund's net position decreased 1 percent. The Village analyzes its water and sewer rates on a regular basis and makes adjustments accordingly.

Using the Basic Financial Statements

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

Report Components

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

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

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

Basis of Accounting

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

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
UNAUDITED
(Continued)**

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

Reporting the Government as a Whole

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

The statement of net position and the statement of activities reflect how the Village did financially during 2012, within the limitations of cash basis accounting. The statement of net position presents the cash balances and investments of the governmental and business-type activities of the Village at year-end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

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

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

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

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

Reporting the Village's Most Significant Funds

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

Governmental Funds - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
UNAUDITED
(Continued)**

operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General Fund, Income Tax Fund, Road Improvement Fund, State Route 65 and Williamstown Intersection Improvements Fund, Waterline and Meter Replacement Fund, and Federal Emergency Management Agency (FEMA) Flood Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

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

The Village as a Whole

Table 1 provides a summary of the Village's Net Position for 2012 compared to 2011 on a cash basis:

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Assets						
Cash and Cash Equivalents	\$4,812,215	\$6,424,189	\$3,644,713	\$3,539,090	\$8,456,928	\$9,963,279
Cash and Cash Equivalents in Segregated Accounts	120,268				\$120,268	
Total Assets	<u>\$4,932,483</u>	<u>\$6,424,189</u>	<u>\$3,644,713</u>	<u>\$3,539,090</u>	<u>\$8,577,196</u>	<u>\$9,963,279</u>
Net Position						
Restricted for:						
Capital Outlay	1,019,217	2,287,976			1,019,217	2,287,976
Debt Service		9,249				9,249
Other Purposes	2,091,780	3,048,408			2,091,780	3,048,408
Unrestricted	1,821,486	1,078,556	3,644,713	3,539,090	5,466,199	4,617,646
Total Net Position	<u>\$4,932,483</u>	<u>\$6,424,189</u>	<u>\$3,644,713</u>	<u>\$3,539,090</u>	<u>\$8,577,196</u>	<u>\$9,963,279</u>

As mentioned previously, net position of governmental activities decreased \$1,491,706, or 23 percent during 2012. The primary reasons contributing to the decreases in cash balances are as follows:

- Cash in the Road Improvements Fund and Other Governmental Funds decreased \$1,461,783, which can be attributed mostly to the expenditure of proceeds from the Various Purpose General Obligation Capital Asset Bonds as intended.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
UNAUDITED
(Continued)**

- There was deficit spending in the amount of \$238,602 in the Income Tax Fund. A significant portion of Income Tax Fund expenditures are related to security of persons and property.

Table 2 reflects the changes in net position in 2012 compared to 2011 on a cash basis:

(Table 2)
Changes in Net Position

	Governmental Activities 2012	Governmental Activities 2011	Business Type Activities 2012	Business Type Activities 2011	Total 2012	Total 2011
Receipts:						
Program Receipts:						
Charges for Services and Sales	\$197,661	\$212,405	\$2,783,377	\$2,691,452	\$2,981,038	\$2,903,857
Operating Grants and Contributions	46,316	231,828			46,316	231,828
Capital Grants and Contributions	939,365	325,079	26,306		965,671	325,079
Total Program Receipts	1,183,342	769,312	2,809,683	2,691,452	3,993,025	3,460,764
General Receipts:						
Property and Other Local Taxes	331,747	351,179			331,747	351,179
Municipal Income Taxes	1,451,481	1,234,024			1,451,481	1,234,024
Grants and Entitlements Not Restricted to Specific Programs	372,640	1,113,765			372,640	1,113,765
Bonds Issued		2,995,000				2,995,000
Notes Issued	1,102,129	1,000,000			1,102,129	1,000,000
Premium & Accrued Interest on Debt Issue		160,052				160,052
Insurance Premiums	84,086				84,086	
Sale of Capital Assets	7,931	5,347	491	2,808	8,422	8,155
Interest	29,087	53,108			29,087	53,108
Miscellaneous	31,713	40,388	52,894	9,160	84,607	49,548
Total General Receipts	3,410,814	6,952,863	53,385	11,968	3,464,199	6,964,831
Total Receipts	4,594,156	7,722,175	2,863,068	2,703,420	7,457,224	10,425,595
Disbursements:						
General Government	484,512	532,308			484,512	532,308
Security of Persons and Property:	679,473	685,929			679,473	685,929
Leisure Time Activities	82,871	110,202			82,871	110,202
Community Environment	74,127	105,787			74,127	105,787
Basic Utilities	13,722				13,722	
Transportation	191,884	246,354			191,884	246,354
Capital Outlay	4,062,013	2,433,022			4,062,013	2,433,022
Principal Retirement	287,747	1,395,072			287,747	1,395,072
Interest and Fiscal Charges	209,513	91,176			209,513	91,176
Other		109				109
Water Operating			1,395,087	1,283,448	1,395,087	1,283,448
Sewer Operating			1,362,358	1,319,850	1,362,358	1,319,850
Total Disbursements	6,085,862	5,599,959	2,757,445	2,603,298	8,843,307	8,203,257
Increase (Decrease) in Net Position	(1,491,706)	2,122,216	105,623	100,122	(1,386,083)	2,222,338
Net Position, January 1	6,424,189	4,301,973	3,539,090	3,438,968	9,963,279	7,740,941
Net Position, December 31	\$4,932,483	\$6,424,189	\$3,644,713	\$3,539,090	\$8,577,196	\$9,963,279

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

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

Program receipts represent 54 percent of total receipts and are primarily comprised of restricted water and sewer user fees. Grants restricted for specific projects were 25 percent of program receipts. Restricted intergovernmental receipts such as motor vehicle license and gas tax money, as well as recreational entry fees, and license and permit fees are also included in program receipts.

In 2012, general receipts represent 47 percent of the Village's total receipts, and of this amount, 51 percent are local taxes. Nearly 32 percent are proceeds from note issuance, 11 percent are grants and entitlements not restricted to specific programs, and the remaining 6 percent is interest earnings which can fluctuate annually due to rate of return, proceeds from insurance, miscellaneous receipts such as refunds of prior year expenditures, and sale of capital assets.

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

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

Governmental Activities

If you look at the Statement of Activities, you will see the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for capital improvements, which account for 67 percent of all governmental disbursements. Security of persons and property, debt service and general government also represent significant costs, 11 percent, 8 percent and 8 percent, respectively. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service, which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts, which are presented at the bottom of the Statement of Activities. A comparison between the total cost of services and the net cost is presented in Table 3.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

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

	Governmental Activities			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2012	2012	2011	2011
General Government	\$484,512	\$380,642	\$532,308	\$420,574
Security of Persons and Property	679,473	611,556	685,929	654,762
Leisure Time Activities	82,871	81,441	110,202	108,412
Economic Development	74,127	(647,882)	105,787	(281,553)
Basic Utilities	13,722	(63,669)		(981)
Transportation	191,884	(18,841)	246,354	10,054
Capital Outlay	4,062,013	4,062,013	2,433,022	2,433,022
Principal Retirement	287,747	287,747	1,395,072	1,395,072
Interest and Fiscal Charges	209,513	209,513	91,176	91,176
Other			109	109
Total Expenses	\$6,085,862	\$4,902,520	\$5,599,959	\$4,830,647

The dependence upon general receipts is apparent as 81 percent of governmental activities are supported through these receipts.

Business-type Activities

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

The Government's Funds

As you look at the Statement of Receipts, Disbursements, and Changes in Cash Basis Fund Balances you will see total governmental funds had receipts and other financing sources of \$5,206,780 and disbursements and other financing uses of \$6,698,486. The greatest change in fund balances within governmental funds occurred within the Road Improvements Fund. The fund balance decrease of \$1,060,043 in the Road Improvement Fund is due to expending bond proceeds from the Various Purpose General Obligation Capital Asset Bonds as intended. Expenditures related to this bond issue are also reflected in the Other Governmental Funds balance.

There was deficit spending in the amount of \$238,602 in the Income Tax Fund. A significant portion of Income Tax Fund expenditures are related to security of persons and property.

The FEMA Flood Fund balance increased \$133,420, which can be attributed mainly to reimbursement from FEMA for expenditures paid by the Village out of the Sewer Fund.

The General Fund balance increased \$65,184, which can be attributed to the majority of expenditures related to security of persons and property being diverted from the General Fund to the Income Tax Fund beginning in 2011.

The cash balance in the Waterline and Meter Replacement Fund in the amount of \$10,075 is being held in escrow until the project meets final completion.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

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

General Fund Budgeting Highlights

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

Final disbursements and other financing uses in the General Fund were budgeted at \$1,536,670 while actual disbursements were \$490,503. The Village employs a conservative approach to budgeting by estimating receipts low and appropriations high. In 2012, the Village budgeted for certain capital improvements in the General Fund, but decided not to pursue those improvements at this time in keeping with its conservative approach.

Capital Assets and Debt Administration

Capital Assets

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

Debt

At December 31, 2012, the Village's outstanding debt included \$2,855,000 in Various Purpose General Obligation Capital Asset Bonds, \$1,475,000 in general obligation bonds issued for construction of the Putnam County Educational Service Center/Community Learning Center, \$363,145 in Ohio Public Works Commission (OPWC) loans for improvements to water and sewer utility services, and \$6,851,703 in Ohio Water Development Authority (OWDA) loans for improvements to water and sewer system buildings and structures. For further information regarding the Village's debt, refer to Note 10 to the basic financial statements.

Current Issues

The challenge for all governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes. The Village is constantly looking at ways to cut costs without cutting services. Employees are cross-trained in several areas and certain services have been contracted out resulting in cost savings. Although cost cutting measures have been implemented, the need for increased revenues became apparent. Therefore, Village Council passed an ordinance effective January 1, 2012 eliminating the credit for taxes paid to another municipality, which generated approximately an additional \$220,000 in revenues into the Income Tax Fund in 2012.

Contacting the Village's Financial Management

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

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**VILLAGE OF OTTAWA
PUTNAM COUNTY**

*Statement of Net Position - Cash Basis
December 31, 2012*

	Governmental Activities	Business - Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$4,812,215	\$3,644,713	\$8,456,928
Cash and Cash Equivalents in Segregated Accounts	120,268		120,268
<i>Total Assets</i>	<u>\$4,932,483</u>	<u>\$3,644,713</u>	<u>\$8,577,196</u>
Net Position			
Restricted for:			
Capital Projects	\$1,019,217		\$1,019,217
Other Purposes	2,091,780		2,091,780
Unrestricted	1,821,486	\$3,644,713	5,466,199
<i>Total Net Position</i>	<u>\$4,932,483</u>	<u>\$3,644,713</u>	<u>\$8,577,196</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, 2012*

	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	\$679,473	\$22,101	\$45,816	
Leisure Time Activities	82,871	780	500	\$150
Community Environment	74,127	63,638		658,371
Basic Utility Services	13,722	755		76,636
Transportation	191,884	6,517		204,208
General Government	484,512	103,870		
Capital Outlay	4,062,013			
Debt Service:				
Principal Retirement	287,747			
Interest and Fiscal Charges	209,513			
<i>Total Governmental Activities</i>	<u>6,085,862</u>	<u>197,661</u>	<u>46,316</u>	<u>939,365</u>
Business-Type Activities				
Water Operating	1,395,087	1,445,284		26,306
Sewer Operating	1,362,358	1,338,093		
<i>Total Business-Type Activities</i>	<u>2,757,445</u>	<u>2,783,377</u>		<u>26,306</u>
Total	<u><u>\$8,843,307</u></u>	<u><u>\$2,981,038</u></u>	<u><u>\$46,316</u></u>	<u><u>\$965,671</u></u>

General Receipts

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

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
(\$611,556)		(\$611,556)
(81,441)		(81,441)
647,882		647,882
63,669		63,669
18,841		18,841
(380,642)		(380,642)
(4,062,013)		(4,062,013)
(287,747)		(287,747)
(209,513)		(209,513)
(4,902,520)		(4,902,520)
	\$76,503	76,503
	(24,265)	(24,265)
	52,238	52,238
(4,902,520)	52,238	(4,850,282)
222,438		222,438
84,309		84,309
25,000		25,000
1,451,481		1,451,481
372,640		372,640
1,102,129		1,102,129
84,086		84,086
7,931	491	8,422
29,087		29,087
31,713	52,894	84,607
3,410,814	53,385	3,464,199
(1,491,706)	105,623	(1,386,083)
6,424,189	3,539,090	9,963,279
\$4,932,483	\$3,644,713	\$8,577,196

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

*Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
December 31, 2012*

	<u>General</u>	<u>Income Tax Fund</u>
Assets		
Equity in Pooled Cash and Cash Equivalents	\$1,812,891	\$1,664,878
Cash and Cash Equivalents in Segregated Accounts	<u>8,595</u>	<u></u>
<i>Total Assets</i>	<u><u>\$1,821,486</u></u>	<u><u>\$1,664,878</u></u>
Fund Balances		
Restricted		
Committed		\$1,664,878
Assigned	\$85,449	
Unassigned	<u>1,736,037</u>	<u></u>
<i>Total Fund Balances</i>	<u><u>\$1,821,486</u></u>	<u><u>\$1,664,878</u></u>

See accompanying notes to the basic financial statements

Road Improvement Fund	Waterline and Meter Fund	FEMA Flood Fund	Other Governmental Funds	Total Governmental Funds
\$664,957		\$154,410	\$515,079	\$4,812,215
	\$10,075		101,598	120,268
<u>\$664,957</u>	<u>\$10,075</u>	<u>\$154,410</u>	<u>\$616,677</u>	<u>\$4,932,483</u>
\$664,957	\$10,075	\$154,410	\$611,535	\$1,440,977
			5,142	1,670,020
				85,449
				1,736,037
<u>\$664,957</u>	<u>\$10,075</u>	<u>\$154,410</u>	<u>\$616,677</u>	<u>\$4,932,483</u>

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

*Statement of Receipts, Disbursements and Changes Fund Balances - Cash Basis
Governmental Funds
For the Year Ended December 31, 2012*

	General	Income Tax Fund	Road Improvement Fund
Receipts			
Municipal Income Taxes		\$1,451,481	
Property Taxes	\$222,438		
Other Local Taxes			
Intergovernmental	138,467		
Special Assessments		1,727	
Charges for Services	52,828	93,130	
Fines, Licenses and Permits	42,703		
Earnings on Investments	27,438		
Miscellaneous	7,242	21,932	
<i>Total Receipts</i>	<u>491,116</u>	<u>1,568,270</u>	
Disbursements			
Current:			
Security of Persons and Property	140,635	472,646	
Leisure Time Activities	82,871		
Community Environment	74,092		
Basic Utility Services	13,722		
Transportation			
General Government	193,167	288,802	
Capital Outlay	5,531	373,252	\$789,019
Debt Service:			
Principal Retirement		255,073	
Interest and Fiscal Charges		200,262	
<i>Total Disbursements</i>	<u>510,018</u>	<u>1,590,035</u>	<u>789,019</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(18,902)</u>	<u>(21,765)</u>	<u>(789,019)</u>
Other Financing Sources (Uses)			
Insurance Proceeds	84,086		
Sale of Notes			
Sale of Capital Assets		7,931	
Advances In			58,416
Advances Out		(224,768)	(329,440)
<i>Total Other Financing Sources (Uses)</i>	<u>84,086</u>	<u>(216,837)</u>	<u>(271,024)</u>
<i>Net Change in Fund Balances</i>	65,184	(238,602)	(1,060,043)
<i>Fund Balances Beginning of Year</i>	<u>1,756,302</u>	<u>1,903,480</u>	<u>1,725,000</u>
<i>Fund Balances End of Year</i>	<u>\$1,821,486</u>	<u>\$1,664,878</u>	<u>\$664,957</u>

See accompanying notes to the basic financial statements

SR 65 and Williamstown Fund	Waterline and Mater Fund	FEMA Flood Fund	Other Governmental Funds	Total Governmental Funds
				\$1,451,481
			\$84,309	306,747
			25,000	25,000
\$204,208		\$658,371	357,275	1,358,321
				1,727
			6,517	152,475
			756	43,459
			1,649	29,087
			2,539	31,713
<u>204,208</u>		<u>658,371</u>	<u>478,045</u>	<u>3,400,010</u>
			66,192	679,473
				82,871
			35	74,127
				13,722
			191,884	191,884
			2,543	484,512
700,000	\$1,092,054	524,951	577,206	4,062,013
			32,674	287,747
			9,251	209,513
<u>700,000</u>	<u>1,092,054</u>	<u>524,951</u>	<u>879,785</u>	<u>6,085,862</u>
<u>(495,792)</u>	<u>(1,092,054)</u>	<u>133,420</u>	<u>(401,740)</u>	<u>(2,685,852)</u>
				84,086
	1,102,129			1,102,129
				7,931
554,208				612,624
(58,416)				(612,624)
<u>\$495,792</u>	<u>1,102,129</u>			<u>1,194,146</u>
	10,075	133,420	(401,740)	(1,491,706)
		20,990	1,018,417	6,424,189
	<u>\$10,075</u>	<u>\$154,410</u>	<u>\$616,677</u>	<u>\$4,932,483</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, 2012*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Property Taxes	\$252,909	\$252,909	\$222,438	(\$30,471)
Intergovernmental	89,950	89,950	138,467	48,517
Charges for Services	52,787	52,787	52,828	41
Fines, Licenses and Permits	32,050	32,050	42,703	10,653
Earnings on Investments	20,550	20,550	27,438	6,888
Miscellaneous	8,500	8,500	7,242	(1,258)
<i>Total Receipts</i>	<u>456,746</u>	<u>456,746</u>	<u>491,116</u>	<u>34,370</u>
Disbursements				
Current:				
Security of Persons and Property	192,017	191,717	161,529	30,188
Leisure Time Activities	131,679	131,679	90,381	41,298
Community Environment	36,603	36,963	17,238	19,725
Transportation	21,738	21,738	5,623	16,115
General Government	278,953	278,953	206,210	72,743
Capital Outlay	876,220	875,520	9,522	865,998
<i>Total Disbursements</i>	<u>1,537,210</u>	<u>1,536,570</u>	<u>490,503</u>	<u>1,046,067</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,080,464)</u>	<u>(1,079,824)</u>	<u>613</u>	<u>1,080,437</u>
Other Financing Sources (Uses)				
Insurance Proceeds			84,086	84,086
Other Financing Uses	(100)	(100)		100
<i>Total Other Financing Sources (Uses)</i>	<u>(100)</u>	<u>(100)</u>	<u>84,086</u>	<u>84,186</u>
<i>Net Change in Fund Balance</i>	<u>(1,080,564)</u>	<u>(1,079,924)</u>	<u>84,699</u>	<u>1,164,623</u>
<i>Unencumbered Fund Balance Beginning of Year</i>	1,046,373	1,046,373	1,046,373	
Prior Year Encumbrances Appropriated	32,182	32,182	32,182	
<i>Unencumbered Fund Balance End of Year</i>	<u>(\$2,009)</u>	<u>(\$1,369)</u>	<u>\$1,163,254</u>	<u>\$1,164,623</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, 2012*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Municipal Income Taxes	\$1,000,000	\$1,000,000	\$1,451,481	\$451,481
Special Assessments	730	730	1,727	997
Charges for Services	63,600	63,600	93,130	29,530
Miscellaneous			21,932	21,932
<i>Total Receipts</i>	1,064,330	1,064,330	1,568,270	503,940
Disbursements				
Current:				
General Government	429,751	429,751	295,170	134,581
Security of Persons and Property	546,310	546,310	482,922	63,388
Capital Outlay	1,507,295	1,282,527	418,476	864,051
Debt Service:				
Principal Retirement	270,108	270,108	270,108	
Interest and Fiscal Charges	209,516	209,516	200,263	9,253
<i>Total Disbursements</i>	2,962,980	2,738,212	1,666,939	1,071,273
<i>Excess of Disbursements Over Receipts</i>	(1,898,650)	(1,673,882)	(98,669)	1,575,213
Other Financing Sources (Uses)				
Sale of Capital Assets			7,931	7,931
Advances Out		(224,768)	(224,768)	
<i>Total Other Financing Sources (Uses)</i>		(224,768)	(216,837)	7,931
<i>Net Change in Fund Balance</i>	(1,898,650)	(1,898,650)	(315,506)	1,583,144
<i>Unencumbered Fund Balance Beginning of Year</i>	1,867,638	1,867,638	1,867,638	
Prior Year Encumbrances Appropriated	35,842	35,842	35,842	
<i>Unencumbered Fund Balance End of Year</i>	\$4,830	\$4,830	\$1,587,974	\$1,583,144

See accompanying notes to the basic financial statements

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

*Statement of Fund Net Position - Cash Basis
Proprietary Funds
December 31, 2012*

	Business-Type Activities			
	Water Operating Fund	Sewer Operating Fund	Other Enterprise Fund	Total Enterprise Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	<u>\$1,828,539</u>	<u>\$1,501,277</u>	<u>\$314,897</u>	<u>\$3,644,713</u>
Net Position				
Unrestricted	<u>\$1,828,539</u>	<u>\$1,501,277</u>	<u>\$314,897</u>	<u>\$3,644,713</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, 2012*

	Business-Type Activities			Total Enterprise Funds
	Water Operating Fund	Sewer Operating Fund	Other Enterprise Fund	
Operating Receipts				
Charges for Services	\$1,424,259	\$1,310,810		\$2,735,069
Miscellaneous	42,603	10,291		52,894
<i>Total Operating Receipts</i>	<u>1,466,862</u>	<u>1,321,101</u>		<u>2,787,963</u>
Operating Disbursements				
Personal Services	312,916	280,062		592,978
Employee Fringe Benefits	165,815	152,104		317,919
Contractual Services	248,581	260,825		509,406
Supplies and Materials	253,192	88,388		341,580
Other	18,762			18,762
<i>Total Operating Disbursements</i>	<u>999,266</u>	<u>781,379</u>		<u>1,780,645</u>
<i>Operating Income</i>	467,596	539,722		1,007,318
Non-Operating Receipts (Disbursements)				
Special Assessments	21,025	27,283		48,308
Sale of Capital Assets	491			491
Intergovernmental	26,306			26,306
Capital Outlay	(116,712)	(130,567)		(247,279)
Principal Retirement	(182,857)	(330,809)		(513,666)
Interest and Other Fiscal Charges	(96,252)	(119,603)		(215,855)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(347,999)</u>	<u>(553,696)</u>		<u>(901,695)</u>
<i>Change in Net Position</i>	119,597	(13,974)		105,623
<i>Net Position Beginning of Year</i>	<u>1,708,942</u>	<u>1,515,251</u>	<u>\$314,897</u>	<u>3,539,090</u>
<i>Net Position End of Year</i>	<u><u>\$1,828,539</u></u>	<u><u>\$1,501,277</u></u>	<u><u>\$314,897</u></u>	<u><u>\$3,644,713</u></u>

See accompanying notes to the basic financial statements

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**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 1 – REPORTING ENTITY

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

A. Primary Government

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

B. Component Units

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

C. Public Entity Risk Pools

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide Financial Statements

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 entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into two categories, governmental and proprietary.

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Village has six major governmental funds including the General Fund, Income Tax Fund, Road Improvement Fund, State Route 65 and Williamstown Fund, Waterline and Meter Fund, and FEMA Flood 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.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- The Income Tax Fund is a special revenue fund used primarily to fund capital improvements. Its use is restricted by Village ordinance.
- The Road Improvement Fund is a capital project fund established for the receipt of bond monies to be used for road improvement projects.
- The State Route 65 and Williamstown Fund is a capital project fund established for the receipt and disbursement of grant monies.
- The Waterline and Meter Fund is a capital project fund established for the receipt of note monies to be used for waterline and meter installation and improvements.
- The FEMA Flood Fund is a capital project fund established for the receipt and disbursement of grant monies.

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

Proprietary Funds

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

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

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

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

C. Basis of Accounting

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

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

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.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

E. Cash and Investments

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

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

During 2012, the Village invested in nonnegotiable certificates of deposit, savings accounts, money market funds, and STAR Ohio. The nonnegotiable certificates of deposit are reported at cost. The savings accounts and money market accounts are reported at the amount the Village has recorded as of December 31, 2012.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2012.

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 2012 was \$27,438, which includes \$18,794 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.

VILLAGE OF OTTAWA
PUTNAM COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Interfund Receivables/Payables

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

I. Accumulated Leave

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

J. Employer Contributions to Cost-Sharing Pension Plans

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

K. Long-Term Obligations

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

L. Net 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.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

N. Interfund Transactions

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

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.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

NOTE 3 – ACCOUNTABILITY

For 2012, the Village has implemented GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements",

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the Village.

For fiscal year 2012, the Village implemented Governmental Accounting Standard Board (GASB) Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." GASB Statement No. 63 identifies net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. This change was incorporated in the Village fiscal year 2012 financial statements; however, there was no effect on beginning net position/fund balance.

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund, 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 \$47,449 for the General Fund and \$76,904 in the Income Tax Fund.

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

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

Net Change in Fund Cash Balance	
	General Fund
Cash Basis	\$65,184
Funds Budgeted Elsewhere	66,964
Adjustment for Encumbrances	(47,449)
Budget Basis	\$84,699

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

NOTE 5 – DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

NOTE 5 – DEPOSITS AND INVESTMENTS (CONTINUED)

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, \$1,250,480 of the Village’s bank balance of \$8,086,977 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution’s trust department or agent, but not in the Village’s name.

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

Investments

As of December 31, 2012, the Village had \$781,250 invested in STAR Ohio. STAR Ohio has a maturity of approximately one month.

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

NOTE 6 – INCOME TAXES

The Village levies a 1 percent income tax whose proceeds are placed into the Income Tax Fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. 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 7 – PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2012 represent the collection of 2011 taxes. Real property taxes received in 2012 were levied after October 1, 2011, on the assessed values as of January 1, 2011, 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.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

NOTE 7 – PROPERTY TAXES (CONTINUED)

Public utility property tax receipts received in 2012 represent the collection of 2011 taxes. Public utility real and tangible personal property taxes received in 2012 became a lien on December 31, 2010, were levied after October 1, 2011, and are collected in 2012 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, 2012, was \$4.00 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2012 property tax receipts were based are as follows:

Real Property	
Residential	\$63,950,860
Agriculture	707,080
Commercial/Industrial/Mineral	19,700,490
Public Utility Property	
Real	21,370
Personal	3,488,150
Total Assessed Value	<u><u>\$87,867,950</u></u>

NOTE 8 – RISK MANAGEMENT

Risk Pool Membership

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

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

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formerly known as American Risk Pooling Consultants, Inc.), 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, 2012, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

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

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

NOTE 8 – RISK MANAGEMENT (CONTINUED)

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Assets	\$34,389,569	\$33,362,404
Liabilities	<u>(14,208,353)</u>	<u>(14,187,273)</u>
Net Position	<u>\$20,181,216</u>	<u>\$19,175,131</u>

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$13.1 million and \$13.0 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$12.1 million of unpaid claims to be billed to approximately 466 and 455 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Village's share of these unpaid claims collectible in future years is approximately \$68,000

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

Contributions to PEP	
<u>2012</u>	<u>2011</u>
\$82,163	\$54,759

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.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

NOTE 9 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

Plan Description – The County participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law and public safety employer units. Member contribution rates, as set in the Ohio Revised Code, are not to exceed 10 percent. For the year ended December 31, 2012, members in state and local classifications contributed 10 percent of covered payroll while public safety and law enforcement members contributed 11.5 percent and 12.1 percent, respectively. Effective January 1, 2013, the member contribution rates for public safety and law enforcement members increased to 12 percent and 12.6 percent, respectively. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. For 2012, member and employer contribution rates were consistent across all three plans.

The Village's 2012 contribution rate was 14 percent, except for those plan members in law enforcement or public safety, for whom the Village's contribution was 18.10 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 4 percent for 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for 2012. Effective January 1, 2013, the portion of employer contributions allocated to healthcare was lowered to 1 percent for both plans, as recommended by the OPERS Actuary. Employer contribution rates are actuarially determined.

The Village's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2012, 2011, and 2010 were \$88,423, \$92,868, and \$83,608, respectively; 100 percent has been contributed for 2012 and 100 percent for 2011 and 2010.

**VILLAGE OF OTTAWA
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

NOTE 9 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Ohio Police and Fire Pension Fund

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability 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. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. The Village's contributions to OP&F for the years ending December 31, 2012, 2011, and 2010 were \$34,216, \$36,589, and \$36,548, respectively. The full amount has been contributed for 2012, 2011, and 2010.

NOTE 10 – POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

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

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

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

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

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

NOTE 10 – POSTEMPLOYMENT BENEFITS (CONTINUED)

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, state and local employers contributed at a rate of 14 percent of covered payroll, and public safety and law enforcement employers contributed at 18.10 percent. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law and public safety employer units.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4 percent for 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 for 2012. Effective January 1, 2013, the portion of employer contributions allocated to healthcare was lowered to 1 percent for both plans, as recommended by the OPERS actuary.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The Village's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2012, 2011, and 2010 were, \$35,369, 37,147, and \$47,664, respectively; 100 percent has been contributed for 2012 and 100 percent for 2011 and 2010.

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

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

B. Ohio Police and Fire Pension Fund

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

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

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

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

NOTE 10 – POSTEMPLOYMENT BENEFITS (CONTINUED)

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OP&F's website at www.op-f.org.

Funding Policy. The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50% and 24.00% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2012, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The Village's contributions to OP&F for the years ending December 31, 2012, 2011, and 2010 were \$18,114, \$19,370, and \$19,349, respectively. The full amount has been contributed for 2012, 2011, and 2010.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

NOTE 11 – DEBT

The Village's long-term debt activity for the year ended December 31, 2012 was as follows:

	Interest Rate	Balance December 31, 2011	Additions	Reductions	Balance December 31, 2012	Due Within One Year
<u>Governmental Activities</u>						
General Obligation Bonds 2005	3.25-5%	\$1,560,000		\$85,000	\$1,475,000	\$85,000
General Obligation Bonds 2011	2.0-4.5%	2,995,000		140,000	2,855,000	165,000
OWDA Loan #6065 (Waterline/Meters)	2.0%		\$1,102,129		1,102,129	
OPWC Loan - Storm Sewer	0%	135,326		30,073	105,253	30,072
Total Governmental Activities		<u>\$4,690,326</u>	<u>\$1,102,129</u>	<u>\$255,073</u>	<u>\$5,537,382</u>	<u>\$280,072</u>
<u>Business-type Activities</u>						
OPWC Loan - Water	0%	\$5,000		\$5,000		
OPWC Loan – Pohl Sewer	0%	275,084		17,192	\$257,892	\$17,192
OWDA Loan #2447 (WWTP)	4.12%	2,679,155		289,085	2,390,070	301,119
OWDA Loan #3790 (WTP)	3.15%	920,266		61,124	859,142	63,065
OWDA Loan #4380 (Pohl Water)	2.75%	624,006		34,124	589,882	35,069
OWDA Loan #4381 (Pohl Sewer)	2.75%	448,619		24,533	424,086	25,212
OWDA Loan #4570 (Tank)	2.84%	358,372		18,697	339,675	19,232
OWDA Loan #4783 (Bluffton)	2.75%	1,243,304		96,585	1,146,719	
Total Business-type Activities		<u>\$6,553,806</u>	<u>\$546,340</u>	<u>\$546,340</u>	<u>\$6,007,466</u>	<u>\$460,889</u>

Total payments for Business-Type Activities in the table above are \$32,674 higher than the principal payments on the Business-Type financial statements, because the loan payments for OWDA loan #4783 are partially paid from a Capital Project Fund. Also for the same reason, payments for the governmental activities in the above table are \$32,674 lower than the principal payments on the Governmental financial statements.

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

The Ohio Public Works Commission 0% loans relate to a storm sewer project, water tank improvement and sanitary sewer extension. The storm sewer loan will be repaid in semiannual installments of \$15,036 over 20 years. Income tax revenues are the dedicated source of repayment for this loan. The water tank loan was repaid as of December 31, 2012 by making semiannual installments of \$2,500 over 20 years. Water revenues were the dedicated source of repayment for this loan. The sanitary sewer extension loan will be repaid in semiannual installments of \$8,596 over 20 years. Sewer revenues are the dedicated source of repayment for this loan.

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

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

NOTE 11 – DEBT (CONTINUED)

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

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

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

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

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

The OWDA loan #6065 is for waterline and meter replacement in an amount of \$1,165,321, however, during 2012 the project was not completed and therefore the entire loan amount had not been utilized. Consequently, the loan has not been closed and a final amortization schedule is unavailable. The loan will be repaid in semiannual installments over 20 years, but is not included in the accompanying amortization schedule. This loan will be repaid with water receipts.

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

Year	G.O. Bonds		OWDA Loans		OPWC Loans
	Principal	Interest	Principal	Interest	Principal
2013	\$250,000	\$180,625	\$443,697	\$158,955	\$47,264
2014	255,000	174,010	460,446	142,201	47,266
2015	265,000	165,550	477,850	124,796	47,265
2016	270,000	154,001	495,926	106,722	32,229
2017	280,000	142,250	514,699	87,949	17,193
2018 – 2022	1,645,000	475,050	1,629,048	194,638	85,964
2023 – 2027	1,365,000	143,500	581,189	33,611	85,964
2028 – 2032					
Totals	<u>\$4,330,000</u>	<u>\$1,434,986</u>	<u>\$4,602,855</u>	<u>\$848,872</u>	<u>\$363,145</u>

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2011, were an overall debt margin of \$4,896,135 and an unvoted debt margin of \$502,737.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

NOTE 12 – CONSTRUCTION AND CONTRACTUAL COMMITMENTS

<u>Vendor/Project</u>	<u>Contract Amount</u>	<u>Balance Outstanding 12/31/12</u>
Utility Services 1 Year for Water Tank Maintenance (6-year Program)	\$214,736	\$214,736
Ward Construction Street Projects 2012	\$1,500,000	\$647,985
Kalida Truck Equipment, Inc. Equipment for 2013 Truck	\$60,462	\$60,462
Shelly Company Williamstown Road Improvement Extension	\$95,163	\$44,167
Kahle Electric, Inc. Repairs from Lightning Damage at Water Treatment Plant	\$32,955	\$32,955
Kahle Electric, Inc. Main/Elm Street Intersection	\$38,200	\$13,183
Kirk Brothers Co. Inc. Walnut Street Pump Station	\$722,284	\$399,620
Brint Electric, Inc. Walnut St. Pump Station	\$398,900	\$177,424
Hohenbrink Excavating Level and Pile Dirt at Waste Water Treatment Plant	\$9,500	\$9,500
Ohio Sanitary Services Remove and Install Pump; Raw Water Building	\$9,800	\$9,800
Kahle Electric Inc. Repairs to Water Treatment Plant: Insurance Claim	\$10,000	\$10,000
Kahle Electric Inc. Hoist at Raw Water Pump Station	\$7,000	\$7,000
Kahle Electric Inc. Repair Lightning Damage	\$32,955	\$32,955
Hohenbrink Excavating, LLC Haul Grindings around Reservoir	\$15,000	\$15,000
Ward Construction Sidewalks on Meadow Glen	\$9,800	\$9,800
Scott Wagner Plumbing & Heating Inc. Boilers at Water Treatment Plant	\$25,870	\$25,870

VILLAGE OF OTTAWA
PUTNAM COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)

NOTE 12 – CONSTRUCTION AND CONTRACTUAL COMMITMENTS (CONTINUED)

<u>Vendor/Project</u>	<u>Contract Amount</u>	<u>Balance Outstanding 12/31/12</u>
Kahle Electric Inc. Repair Ball Diamond Lights	\$3,000	\$3,000
Ward Construction Manholes, Concrete Work	\$18,254	\$18,254

NOTE 13 – CONTINGENT LIABILITIES

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

NOTE 14 – SUBSEQUENT EVENTS

In January 2013, the Village accepted a proposal for a six-year term from Utility Service Company., Inc. in the amount of \$896,328 for professional services, equipment and materials related to the Trihalomethane Removal System.

On March 25, 2013, the Village accepted the bid from B. Hill'z Excavating, Inc. in the amount of \$230,173 for the South Oak Street Lift Station Project. This project will be funded by the Ohio Public Works Commission (OPWC) with grant monies and 0% interest loan monies.

During April 2013, the Village entered into contracts with Shelly Company in an amount not to exceed \$200,000 for Street Project 2013; Ward Construction in an amount not to exceed \$100,000 for Catch Basin Project 2013; and Ward Construction in an amount not to exceed \$100,000 for Miscellaneous Concrete Projects 2013.

On July 1, 2013, the Village was approved by OPWC for the West Ottawa Pumping Station project. OPWC will fund \$412,400, 90% of the total project costs in the form of \$85,000 grant and \$327,400, 0% loan.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

NOTE 15 – FUND BALANCES

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

	General Fund	Income Tax Fund	Road Improvement Fund	Waterline and Meter Fund	FEMA Grant Fund	Other Governmental Funds	Total Governmental Funds
Restricted for:							
Road Improvement			\$664,957	\$10,075	\$154,410	\$447,456	\$1,276,898
Disaster						1,864	1,864
Drug & Alcohol Enforcement						6,668	6,668
Fire Operations						105,447	105,447
Sewer Imp						50,000	50,000
Storm Water Imp						100	100
Total Restricted			664,957	10,075	154,410	611,535	1,440,977
Committed for:							
Disaster Relief						5,142	5,142
Capital Outlay		\$45,224					45,224
Debt Service		15,036					15,036
General Govt		1,594,341					1,594,341
Police		10,277					10,277
Total Committed		1,664,878				5,142	1,670,020
Assigned for:							
Budget Stabilization	\$38,125						38,125
General Govt	13,043						13,043
Community	11,554						11,554
Recreation	7,510						7,510
Fire Operations	11,226						11,226
Disaster Relief	3,991						2,991
Total Assigned	85,449						85,449
Unassigned	1,736,037						1,736,037
Total Fund Balance	\$1,821,486	\$1,664,878	\$664,957	\$10,075	\$154,410	\$616,677	\$4,932,483



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, 2012, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated September 3, 2013.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

September 3, 2013

VILLAGE OF OTTAWA
PUTNAM COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2011-001	Financial Reporting recommendation for financial statement errors.	No	Partially corrected. Repeated in Management Letter.

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VILLAGE OF OTTAWA

PUTNAM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 19, 2013