



Dave Yost • Auditor of State

VILLAGE OF OTTOVILLE
PUTNAM COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Ottoville, Putnam County, Ohio (the Village) as of and for the years ended December 31, 2012 and 2011.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38

and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2012 and 2011, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Ottoville, Putnam County, Ohio as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, described in Note 1.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during 2011 the Village of Ottoville adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 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.



Dave Yost
Auditor of State

Columbus, Ohio

October 21, 2013

**VILLAGE OF OTTOVILLE
PUTNAM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts				
Property and Other Local Taxes	\$57,406	\$33,287		\$90,693
Municipal Income Tax	567,012			567,012
Intergovernmental	37,885	58,713		96,598
Special Assessments	134			134
Charges for Services	26,118			26,118
Fines, Licenses and Permits	110	2,875		2,985
Earnings on Investments	1,332	79		1,411
Insurance Proceeds	29,801			29,801
Donations	26,231			26,231
Miscellaneous	20,322	5,073		25,395
<i>Total Cash Receipts</i>	<u>766,351</u>	<u>100,027</u>		<u>866,378</u>
Cash Disbursements				
Current:				
Security of Persons and Property	168,280	18,675		186,955
Leisure Time Activities	28,094			28,094
Transportation	75,027	174,281		249,308
General Government	104,968			104,968
Capital Outlay	72,594	4,164		76,758
Debt Service:				
Principal Retirement	4,453	23,409		27,862
Interest and Fiscal Charges	830	503		1,333
<i>Total Cash Disbursements</i>	<u>454,246</u>	<u>221,032</u>		<u>675,278</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>312,105</u>	<u>(121,005)</u>		<u>191,100</u>
Other Financing Receipts (Disbursements)				
Sale of Notes	72,594			72,594
Transfers In		121,400		121,400
Transfers Out	(131,400)			(131,400)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(58,806)</u>	<u>121,400</u>		<u>62,594</u>
<i>Net Change in Fund Cash Balances</i>	253,299	395		253,694
<i>Fund Cash Balances, January 1</i>	<u>248,560</u>	<u>61,747</u>	<u>\$353</u>	<u>310,660</u>
Fund Cash Balances, December 31				
Restricted		62,142		62,142
Committed			353	353
Unassigned	501,859			501,859
<i>Fund Cash Balances, December 31</i>	<u>\$501,859</u>	<u>\$62,142</u>	<u>\$353</u>	<u>\$564,354</u>

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

**VILLAGE OF OTTOVILLE
PUTNAM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$341,091
Miscellaneous	375
<i>Total Operating Cash Receipts</i>	<i>341,466</i>
Operating Cash Disbursements	
Personal Services	64,915
Employee Fringe Benefits	23,759
Contractual Services	176,314
Supplies and Materials	49,926
Other	1,050
<i>Total Operating Cash Disbursements</i>	<i>315,964</i>
<i>Operating Income</i>	<i>25,502</i>
Non-Operating Receipts (Disbursements)	
Earnings on Investments	431
Capital Outlay	(3,800)
Other Financing Uses	(12)
Other Financing Sources	1,400
Principal Retirement	(116,314)
Interest and Other Fiscal Charges	(7,973)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(126,268)</i>
<i>Loss before Transfers</i>	<i>(100,766)</i>
Transfer In	10,000
<i>Net Change in Fund Cash Balances</i>	<i>(90,766)</i>
<i>Fund Cash Balances, January 1</i>	<i>309,801</i>
<i>Fund Cash Balances, December 31</i>	<i>\$219,035</i>

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

**VILLAGE OF OTTOVILLE
PUTNAM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$62,413	\$35,119		\$97,532
Municipal Income Tax	414,159			414,159
Intergovernmental	52,796	285,221		338,017
Special Assessments	1,197			1,197
Charges for Services	52,274			52,274
Fines, Licenses and Permits	127	2,785		2,912
Earnings on Investments	3,063	224		3,287
Miscellaneous	5,762	2,981		8,743
<i>Total Cash Receipts</i>	<u>591,791</u>	<u>326,330</u>		<u>918,121</u>
Cash Disbursements				
Current:				
Security of Persons and Property	156,569	17,983		174,552
Transportation	172,140	185,810		357,950
General Government	152,349			152,349
Capital Outlay	78,835	243,188	\$16,526	338,549
Debt Service:				
Principal Retirement		22,720		22,720
Interest and Fiscal Charges		1,192		1,192
<i>Total Cash Disbursements</i>	<u>559,893</u>	<u>470,893</u>	<u>16,526</u>	<u>1,047,312</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>31,898</u>	<u>(144,563)</u>	<u>(16,526)</u>	<u>(129,191)</u>
Other Financing Receipts (Disbursements)				
Transfers In		115,509	16,526	132,035
Transfers Out	(142,035)			(142,035)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(142,035)</u>	<u>115,509</u>	<u>16,526</u>	<u>(10,000)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(110,137)</u>	<u>(29,054)</u>		<u>(139,191)</u>
<i>Fund Cash Balances, January 1</i>	<u>358,697</u>	<u>90,801</u>	<u>353</u>	<u>449,851</u>
Fund Cash Balances, December 31				
Restricted		61,747		61,747
Committed			353	353
Unassigned	248,560			248,560
<i>Fund Cash Balances, December 31</i>	<u>\$248,560</u>	<u>\$61,747</u>	<u>\$353</u>	<u>\$310,660</u>

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

**VILLAGE OF OTTOVILLE
PUTNAM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$337,242
Miscellaneous	1,823
	<u>339,065</u>
<i>Total Operating Cash Receipts</i>	<i>339,065</i>
Operating Cash Disbursements	
Personal Services	56,765
Employee Fringe Benefits	17,548
Contractual Services	93,721
Supplies and Materials	55,134
Other	300
	<u>223,468</u>
<i>Total Operating Cash Disbursements</i>	<i>223,468</i>
<i>Operating Income</i>	<i>115,597</i>
Non-Operating Receipts (Disbursements)	
Insurance Proceeds	12,727
Sale of Notes	239,940
Earnings on Investments	1,398
Capital Outlay	(92,646)
Principal Retirement	(249,052)
Interest and Other Fiscal Charges	(9,516)
	<u>(97,149)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(97,149)</i>
<i>Income before Transfers</i>	<i>18,448</i>
Transfer In	10,000
	<u>28,448</u>
<i>Net Change in Fund Cash Balances</i>	<i>28,448</i>
<i>Fund Cash Balances, January 1</i>	<i>281,353</i>
	<u>309,801</u>
<i>Fund Cash Balances, December 31</i>	<i>\$309,801</i>

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

**VILLAGE OF OTTOVILLE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2012**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Ottoville, Putnam County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police services. The Village appropriates general fund money to support a volunteer fire department.

The Village participates in the Ohio Plan Risk Management, Inc., a public entity risk pool. Note 9 to the financial statements provides additional information for this entity.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

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

The Village values certificates of deposit at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

**VILLAGE OF OTTOVILLE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Police Fund – This fund receives tax levy money for police protection services.

3. Capital Project Funds

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

Village Improvement Fund - This fund is used for major projects in the Village such as the engineering and repair of the Church Street reconstruction. The project is financed with transfers from the General Fund.

4. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover water service costs.

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

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

**VILLAGE OF OTTOVILLE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

3. Encumbrances

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

A summary of 2012 and 2011 budgetary activity appears in Note 4.

F. Fund Balance

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

1. Nonspendable

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

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

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

**VILLAGE OF OTTOVILLE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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

G. Property, Plant, and Equipment

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

H. Accumulated Leave

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

2. Change in Accounting Principle

For fiscal year 2011, the Village implemented Governmental Accounting Standard Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Implementing GASB Statement No. 54 did not have an effect on fund balances previously reported.

3. Equity in Pooled Deposits

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

	<u>2012</u>	<u>2011</u>
Demand deposits	\$534,338	\$265,349
Certificates of deposit	<u>249,051</u>	<u>355,112</u>
Total deposits	<u><u>\$783,389</u></u>	<u><u>\$620,461</u></u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; collateralized by securities specifically pledged by the financial institution to the Village; or collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF OTTOVILLE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2012
(Continued)**

4. Budgetary Activity

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$827,407	\$838,945	\$11,538
Special Revenue	291,997	221,427	(70,570)
Capital Projects	353		(353)
Enterprise	689,915	353,297	(336,618)
Total	\$1,809,672	\$1,413,669	(\$396,003)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$827,407	\$585,646	\$241,761
Special Revenue	253,936	221,032	32,904
Enterprise	515,318	444,063	71,255
Total	\$1,596,661	\$1,250,741	\$345,920

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$815,434	\$591,791	(\$223,643)
Special Revenue	604,782	441,839	(162,943)
Capital Projects	16,879	16,526	(353)
Enterprise	908,908	603,130	(305,778)
Total	\$2,346,003	\$1,653,286	(\$692,717)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$719,005	\$701,928	\$17,077
Special Revenue	507,664	470,893	36,771
Capital Projects	16,526	16,526	
Enterprise	716,287	574,682	141,605
Total	\$1,959,482	\$1,764,029	\$195,453

**VILLAGE OF OTTOVILLE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2012
(Continued)**

5. Property Tax

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

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

6. Local Income Tax

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

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

7. Debt

Debt outstanding at December 31, 2012 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan #CM718	\$7,105	0%
Ohio Public Works Commission Loan #CT51F	140,017	1.00%
Ohio Water Development Authority #4324	365,916	0%
Ohio Water Development Authority #4592	243,594	0%
Sewer Plant Note Payable	106,949	4.00%
Dump Truck Note Payable	3,970	3.00%
Real Estate Note Payable	68,141	3.50%
Water Treatment Plant Filters Note Payable	<u>38,655</u>	3.00%
Total	<u><u>\$848,363</u></u>	

Ohio Public Works Commission (OPWC) #CM718 was entered into in 1994, for the purpose of providing revenues for a waterline and valve replacement project. The 20 year interest free loan had an original principal of \$71,057. The Village makes semiannual installments of \$1,776, with final maturity in 2015.

**VILLAGE OF OTTOVILLE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2012
(Continued)**

7. Debt (Continued)

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

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

Ohio Water Development Authority (OWDA) loan #4592 was entered into in 2006, for the purpose of providing revenues for phase III of a wastewater treatment plant sludge handling improvement. The 20 year loan is for \$353,762. Also, OWDA made loan adjustments to the loan that do not appear on the financial statement totaling \$10,015 which affected the beginning balance due at December 31, 2007. The Village does not yet have an amortization schedule for this loan.

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

The Note at Ottoville Bank was entered into in 2010 for the purpose of paying the cost of a used dump truck and accessories for truck. The note has a 3.00 percent interest rate and is scheduled to be paid in full in 2013.

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

The Note at Ottoville Bank was entered into in 2011 for the purpose of paying the cost of a water treatment plant filters. The note has a 3.00 percent interest rate and is scheduled to be paid in full in 2014.

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

Year ending December 31:	OWDA Loan #4324	OPWC Loans Principal	OPWC Loan Interest	General Obligation Notes Principal	General Obligation Notes Interest
2013	\$13,068	\$7,813	\$700	\$74,197	\$6,728
2014	26,137	15,717	1,309	48,801	4,480
2015	26,137	14,062	1,188	42,549	2,845
2016	26,137	12,409	1,064	41,740	1,192
2017	26,137	12,534	940	10,428	137
2018-2022	130,684	64,577	2,790		
2023-2027	117,616	20,010	167		
Total	<u>\$365,916</u>	<u>\$147,122</u>	<u>\$8,158</u>	<u>\$217,715</u>	<u>\$15,382</u>

**VILLAGE OF OTTOVILLE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2012
(Continued)**

8. Retirement Systems

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

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

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OP&F participants contributed 10% of their wages. For 2012 and 2011, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2012 and 2011, OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2012.

B. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the OP&F/PERS Ohio have an option to choose Social Security or the OP&F/PERS Ohio. As of December 31, 2012, members of the Volunteer Fire Department have elected Social Security. The Village's liability is 6.2 percent of wages paid.

9. 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 OTTOVILLE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2012
(Continued)**

9. 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	(14,208,353)	(14,187,273)
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 \$12,000.

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

<u>Contributions to PEP</u>	
<u>2012</u>	<u>2011</u>
\$13,641	\$7,401

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.

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Dave Yost • Auditor of State

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

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Ottoville, Putnam County, Ohio (the Village) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated October 21, 2013 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, and wherein the Village adopted Governmental Accounting Standards Board Statement No. 54 in 2011.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2012-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

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

Purpose of this Report

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

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

Dave Yost
Auditor of State

Columbus, Ohio

October 21, 2013

**VILLAGE OF OTTOVILLE
PUTNAM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2012-001

Material Weakness – Monitoring of Financial Statements

Accurate financial reporting is the responsibility of the Fiscal Officer and is essential to ensure the information provided to the readers of the financial statements accurately reflects the Village's activity.

The financial statements contained the following errors:

- Proceeds from the Sale of Notes, for the purchase of real estate for \$72,594, was recorded as Other Financing Sources in the General Fund in 2012.
- Proceeds from the Sale of Notes for the purchase of the water treatment plant filters of \$90,385 was recorded as Other Financing Sources in the Water Fund in 2011.
- Proceeds from the Sale of Notes, for the purpose of refinancing sewer system debt of \$149,555, was recorded as Other Financing Sources in the Sewer Fund, in 2011.
- The payoff of the sewer system debt of \$149,555 was posted as Other Financing Uses instead of posting \$147,742 as Principal and \$1,813 as Interest in 2011.

The financial statements and schedules presented have been adjusted to reflect these corrections.

To ensure the Village's financial statements, schedules and notes to the statements are complete and accurate, the Council should adopt policies and procedures, including a final review of the financial statements, schedules, management discussion and analysis, and notes to the financial statements to identify and correct errors and omissions.

Officials' Response:

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

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**VILLAGE OF OTTOVILLE
PUTNAM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Material Weakness regarding financial reporting due to errors on financial statements.	No	Not Corrected. Repeated as finding 2012-001 in this report.
2010-002	Ohio Revised Code Section 731.14 for not competitively bidding.	Yes	
2010-003	Ohio Revised Code Sections 102.03(D) and 2921.42(A)(1), (3), (4), and (5) for a public official having an interest in a public contract.	Yes	
2010-004	44 Code of Federal Regulations 13.36 (a) for improperly procuring property and services under a grant.	Yes	

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VILLAGE OF OTTOVILLE

PUTNAM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 12, 2013**