



Dave Yost • Auditor of State



VILLAGE OF OTTAWA HILLS  
LUCAS COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Village of Ottawa Hills  
Lucas County  
2125 Richards Road  
Ottawa Hills, Ohio 43606

To the Honorable Mayor and Village Council:

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Ottawa Hills, Lucas County, Ohio (the Village), as of and for the year ended December 31, 2013, 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 2C 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, each major fund, and the aggregate remaining fund information of the Village of Ottawa Hills, Lucas County, Ohio, as of December 31, 2013, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting basis described in Note 2C.

**Accounting Basis**

We draw attention to Note 2C 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. This information provides additional analysis and is 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 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 August 1, 2014, 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 "D" and "Y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

August 1, 2014

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Village of Ottawa Hills, Lucas County  
Management's Discussion and Analysis  
For the Year Ended December 31, 2013  
Unaudited

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This discussion and analysis of the Village of Ottawa Hills's financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2013, 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 2013 are as follows:

- Net position of governmental activities decreased by \$433,309 or 4.9 percent over the prior year. The Village used a small portion of its cash balance to fund a road construction project and two bridge repairs, resulting in the decrease in net assets.
- The Village's general receipts are primarily income and property taxes. These receipts represent 69.8 and 10.3 percent respectively of the total cash received for governmental activities during the year. Income tax receipts decreased by \$257,205 or 6.6 percent versus 2012. Property taxes decreased by \$46,047 or 7.9% versus 2012. 2013 estate tax revenues decreased by \$466,333 because the Ohio estate tax was repealed as of January 1, 2013.
- The Village's efforts to control operating costs combined with strong income tax receipts allowed the Village to achieve an operating surplus for 2013. As a result a smaller amount of the cash balance was needed for capital expenditures.

**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 government-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 Hills, Lucas County  
Management's Discussion and Analysis  
For the Year Ended December 31, 2013  
Unaudited

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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 Village as a Whole**

The statement of net position and the statement of activities reflect how the Village did financially during 2013, within the limitations of cash basis accounting. The statement of net position presents the cash balances and investments of the governmental activities of the Village at year end. The Village has no business-type activities. The statement of activities compares cash disbursements with program receipts for each governmental program. 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 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, all of the Village transactions are categorized as Governmental activities:

Governmental activities - Basic government services, including police, fire, streets and parks are reported here. Income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

**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 all governmental.

Governmental Funds - All of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental 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, Capital Projects Fund, Capital Grants Fund, Capital Financed Fund, and the Capital Reserve Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Village of Ottawa Hills, Lucas County  
 Management's Discussion and Analysis  
 For the Year Ended December 31, 2013  
 Unaudited

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**The Village as a Whole**

Table 1 provides a summary of the Village's net position for 2013 compared to 2012 on a cash basis.

(Table 1)  
**Net Position**

	Governmental Activities	
	2013	2012
<b>Assets</b>		
Cash and Cash Equivalents	\$8,432,202	\$8,865,511
<b>Net Position</b>		
Restricted for:		
Capital Projects	1,899,645	2,250,104
Other Purposes	1,940,915	2,007,107
Unrestricted	4,591,642	4,608,300
Total Net Position	\$8,432,202	\$8,865,511

The net position of governmental activities decreased \$433,309 due to a road repaving and two bridge repair projects.

Village of Ottawa Hills, Lucas County  
Management's Discussion and Analysis  
For the Year Ended December 31, 2013  
Unaudited

Table 2 reflects the changes in net position for the year ended December 31, 2013 compared to 2012.

(Table 2)  
**Changes in Net Position**

	Governmental Activities		
	2013	2012	Change
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$195,605	\$222,338	(\$26,733)
Operating Grants and Contributions	291,622	278,355	13,267
Capital Grants and Contributions	25,544	267,557	(242,013)
<b>Total Program Receipts</b>	<b>512,771</b>	<b>768,250</b>	<b>(255,479)</b>
General Receipts:			
Property and Other Local Taxes	537,039	583,086	(46,047)
Income Taxes	3,628,362	3,885,567	(257,205)
Other Taxes	48,236	46,176	2,060
Grants and Entitlements Not Restricted to Specific Programs	327,539	825,285	(497,746)
Interest	36,553	62,791	(26,238)
Miscellaneous	109,436	129,168	(19,732)
<b>Total General Receipts</b>	<b>4,687,165</b>	<b>5,532,073</b>	<b>(844,908)</b>
<b>Total Receipts</b>	<b>5,199,936</b>	<b>6,300,323</b>	<b>(1,100,387)</b>
Disbursements:			
General Government	\$814,000	\$804,792	9,208
Security of Persons and Property:	2,302,085	2,244,826	57,259
Public Health Services	36,487	36,929	(442)
Leisure Time Activities	454,460	421,289	33,171
Basic Utilities	480,054	484,591	(4,537)
Transportation	470,155	492,241	(22,086)
Capital Outlay	1,006,927	1,162,208	(155,281)
Principal Retirement	69,077	4,299,556	(4,230,479)
Interest and Fiscal Charges		168,000	(168,000)
<b>Total Disbursements</b>	<b>5,633,245</b>	<b>10,114,432</b>	<b>(4,481,187)</b>
Decrease in Net Position	(433,309)	(3,814,109)	3,380,800
Net Position Beginning of Year	8,865,511	12,679,620	(3,814,109)
<b>Net Position End of Year</b>	<b>\$8,432,202</b>	<b>\$8,865,511</b>	<b>(\$433,309)</b>

Program receipts represent only 9.9 percent of total receipts in 2013 and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, recreation program fees and federal and state grants.

General receipts represent 90.1 percent of the Village's total receipts for 2013, and, of this amount, 88.9 percent are local income and property taxes. State and federal grants and entitlements and interest make up the balance of the Village's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Village of Ottawa Hills, Lucas County  
Management's Discussion and Analysis  
For the Year Ended December 31, 2013  
Unaudited

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Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of Council, and the manager, finance, and income tax departments, as well as internal services such as payroll and purchasing.

Security of Persons and Property are the costs for full-time police, contracted fire services, and other related security expenses. Public Health Services is the cost for the county health department; Leisure Time Activities are the costs of maintaining the parks and the recreation program; Basic Utility Services include refuse, recycling and sewer expenses; and Transportation is the operating cost of maintaining the roads. Capital outlay includes expenditures for road reconstruction projects. Debt Service in 2013 reflects principal expense on ten-year no-interest road construction loans from the state.

**Governmental Activities**

On the Statement of Activities, 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 in 2013 are for security of persons and property, capital outlay and general government, which account for 40.9, 17.9 and 14.4 percent of all governmental disbursements, respectively. The next three columns of the Statement, entitled Program Cash 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. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

	<b>Governmental Activities</b>			
	Total Cost Of Services	Net Cost of Services	Total Cost Of Services	Net Cost of Services
	2013	2013	2012	2012
General Government	\$814,000	\$792,692	\$804,792	\$785,132
Security of Persons and Property	2,302,085	2,180,199	2,244,826	2,135,470
Public Health Services	36,487	36,487	36,929	36,929
Leisure Time Activities	454,460	327,281	421,289	263,131
Basic Utilities	480,054	450,978	484,591	456,031
Transportation	470,155	282,377	492,241	307,282
Capital Outlay	1,006,927	981,382	1,162,208	894,651
Principal Retirement	69,077	69,078	4,299,556	4,299,556
Interest and Fiscal Charges			168,000	168,000
<b>Total Expenses</b>	<b>\$5,633,245</b>	<b>\$5,120,474</b>	<b>\$10,114,432</b>	<b>\$9,346,182</b>

The dependence upon property and income tax receipts is apparent as over 90.9 percent of governmental activities are supported through general receipts in 2013.

Village of Ottawa Hills, Lucas County  
Management's Discussion and Analysis  
For the Year Ended December 31, 2013  
Unaudited

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**The Village's Funds**

Total governmental funds had receipts of \$5,199,936 and disbursements of \$5,633,245. The General Fund balance decreased \$28,771. The Capital Projects Fund decreased by \$150,487 due to capital expenditures for road and bridge reconstruction. The Capital Grants fund balance decreased by \$199,973 as a result of capital expenditures. There were no changes to the Capital Financed Fund and Capital Reserve fund balances.

**General Fund Budgeting Highlights**

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

During 2013, the Village amended its General Fund budget to reflect changing circumstances. Actual receipts exceeded final budgeted receipts by \$367,576 due to higher than expected income tax receipts.

Final disbursements in the General Fund were budgeted at \$5,255,740 while actual disbursements, including encumbrances at year end, were \$5,009,688, or 4.7 percent below budgeted amounts.

**Capital Assets and Debt Administration**

**Capital Assets**

The Village does not currently reflect the value of its capital assets and infrastructure in the financial statements. The Village uses other methods, including inventories of equipment, roads and street trees to insure responsible management of municipal assets.

**Debt**

At December 31, 2013, the Village's outstanding debt consisted of \$158,273 in 10-year, interest-free loans from the Ohio Public Works Commission, which were used for a variety of Village road projects.

**Current Issues**

The challenge for all local governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. Despite a difficult economic environment, the Village continues to be in a strong financial position. Ottawa Hills is almost completely residential and relies heavily on local taxes. A new challenge is the repeal of the Ohio estate tax as of January 1, 2013, which was a source for infrastructure repairs. The Village Council is committed to a balanced operating budget and continues to review forecasting and take steps to reduce the cost of providing services.

**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 Karen Urbanik, Finance Director, or John Lewis, Clerk/Treasurer, Village of Ottawa Hills, 2125 Richards Road, Ottawa Hills, Ohio 43606.

**Village of Ottawa Hills, Ohio**  
**Lucas County**  
*Statement of Net Position - Cash Basis*  
*December 31, 2013*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$8,432,202</u>
<b>Net Position</b>	
Restricted for:	
Capital Projects	\$1,899,645
Other Purposes	1,940,915
Unrestricted	<u>4,591,642</u>
<i>Total Net Position</i>	<u>\$8,432,202</u>

See accompanying notes to the basic financial statements

**Village of Ottawa Hills, Ohio**  
**Lucas County**  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2013*

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position	
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
<b>Governmental Activities</b>					
Current:					
Security of Persons and Property	\$2,302,085	\$26,781	\$95,105		(\$2,180,199)
Public Health Services	36,487				(36,487)
Leisure Time Activities	454,460	118,440	8,739		(327,281)
Basic Utility Services	480,054	29,076			(450,978)
Transportation	470,155		187,778		(282,377)
General Government	814,000	21,308			(792,692)
Capital Outlay	1,006,927			\$25,544	(981,383)
Debt Service:					
Principal Retirement	69,077				(69,077)
<b>Total</b>	<b>\$5,633,245</b>	<b>\$195,605</b>	<b>\$291,622</b>	<b>\$25,544</b>	<b>(\$5,120,474)</b>

General Receipts:	
Property Taxes Levied for:	
General Purposes	458,439
Police Pension	39,300
Fire Pension	39,300
Income Taxes	3,628,362
Other Local Taxes	48,236
Grants and Entitlements not Restricted to Specific Programs	327,539
Earnings on Investments	36,553
Miscellaneous	109,436
<b>Total General Receipts</b>	<b>4,687,165</b>
Change in Net Position	(433,309)
<i>Net Position Beginning of Year</i>	<b>8,865,511</b>
<i>Net Position End of Year</i>	<b>\$8,432,202</b>

See accompanying notes to the basic financial statements

**Village of Ottawa Hills, Ohio**  
*Lucas County*  
**Statement of Cash Basis Assets and Fund Balances**  
*Governmental Funds*  
 December 31, 2013

	General	Capital Projects Fund	Capital Grants Fund	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$4,655,444	\$255,666	\$643,394	\$1,000,000	\$1,877,698	\$8,432,202
<b>Fund Balances</b>						
Nonspendable	636					636
Restricted			643,394		1,569,114	2,212,508
Committed	751,026	59,495			308,000	1,118,521
Assigned	257,016	196,171		1,000,000	584	1,453,771
Unassigned	3,646,766					3,646,766
<i>Total Fund Balances</i>	<u>\$4,655,444</u>	<u>\$255,666</u>	<u>\$643,394</u>	<u>\$1,000,000</u>	<u>\$1,877,698</u>	<u>\$8,432,202</u>

See accompanying notes to the basic financial statements

**Village of Ottawa Hills, Ohio**  
**Lucas County**  
*Statement of Receipts, Disbursements and Changes Fund Balances - Cash Basis*  
*Governmental Funds*  
*For the Year Ended December 31, 2013*

	General	Capital Projects Fund	Capital Grants Fund	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>						
Municipal Income Taxes	\$3,628,362					\$3,628,362
Property and Other Local Taxes	458,439				\$78,600	537,039
Intergovernmental	345,413		\$25,544		200,272	571,229
Special Assessments					63,405	63,405
Charges for Services	116,851					116,851
Fines, Licenses and Permits	69,544				6,253	75,797
Earnings on Investments	35,091				1,463	36,554
Miscellaneous	169,176				1,523	170,699
<i>Total Receipts</i>	<u>4,822,876</u>		<u>25,544</u>		<u>351,516</u>	<u>5,199,936</u>
<b>Disbursements</b>						
Current:						
Security of Persons and Property	2,000,104				301,981	2,302,085
Public Health Services	36,487					36,487
Leisure Time Activities	362,187				92,272	454,459
Basic Utility Services	480,055					480,055
Transportation	308,814				161,341	470,155
General Government	814,000					814,000
Capital Outlay		\$850,487	156,440			1,006,927
Debt Service:						
Principal Retirement			69,077			69,077
<i>Total Disbursements</i>	<u>4,001,647</u>	<u>850,487</u>	<u>225,517</u>		<u>555,594</u>	<u>5,633,245</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>821,229</u>	<u>(850,487)</u>	<u>(199,973)</u>		<u>(204,078)</u>	<u>(433,309)</u>
<b>Other Financing Sources (Uses)</b>						
Transfers In		700,000			150,000	850,000
Transfers Out	(850,000)					(850,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(850,000)</u>	<u>700,000</u>			<u>150,000</u>	
<i>Net Change in Fund Balances</i>	(28,771)	(150,487)	(199,973)		(54,078)	(433,309)
<i>Fund Balances Beginning of Year</i>	<u>4,684,215</u>	<u>406,153</u>	<u>843,367</u>	<u>\$1,000,000</u>	<u>1,931,776</u>	<u>8,865,511</u>
<i>Fund Balances End of Year</i>	<u>\$4,655,444</u>	<u>\$255,666</u>	<u>\$643,394</u>	<u>\$1,000,000</u>	<u>\$1,877,698</u>	<u>\$8,432,202</u>

See accompanying notes to the basic financial statements

**Village of Ottawa Hills, Ohio**  
**Lucas County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
**General Fund**  
*For the Year Ended December 31, 2013*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Municipal Income Taxes	\$3,295,000	\$3,295,000	\$3,628,362	\$333,362
Property and Other Taxes	460,000	\$458,000	458,439	439
Intergovernmental	354,800	\$333,500	345,413	11,913
Charges for Services	150,000	\$116,000	116,851	851
Fines, Licenses and Permits	64,000	\$64,000	69,544	5,544
Earnings on Investments	67,900	\$29,900	35,091	5,191
Miscellaneous	118,600	\$158,900	169,176	10,276
<i>Total Receipts</i>	<u>4,510,300</u>	<u>4,455,300</u>	<u>4,822,876</u>	<u>367,576</u>
<b>Disbursements</b>				
Current:				
Security of Persons and Property	2,867,560	2,905,060	2,819,296	85,764
Public Health Services	36,500	36,500	36,487	13
Leisure Time Activities	413,224	411,224	379,009	32,215
Basic Utility Services	547,804	541,804	515,462	26,342
Transportation	384,973	384,973	341,160	43,813
General Government	988,679	976,179	918,274	57,905
<i>Total Disbursements</i>	<u>5,238,740</u>	<u>5,255,740</u>	<u>5,009,688</u>	<u>246,052</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(728,440)</u>	<u>(800,440)</u>	<u>(186,812)</u>	<u>613,628</u>
<b>Other Financing Uses</b>				
Transfers Out	(750,000)	(850,000)	(850,000)	
<i>Net Change in Fund Balance</i>	<u>(1,478,440)</u>	<u>(1,650,440)</u>	<u>(1,036,812)</u>	<u>613,628</u>
<i>Unencumbered Fund Balance Beginning of Year</i>	3,346,276	3,346,276	3,346,276	
Prior Year Encumbrances Appropriated	1,337,938	1,337,938	1,337,938	
<i>Unencumbered Fund Balance End of Year</i>	<u>\$3,205,774</u>	<u>\$3,033,774</u>	<u>\$3,647,402</u>	<u>\$613,628</u>

See accompanying notes to the basic financial statements

**VILLAGE OF OTTAWA HILLS  
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

**NOTE 1 – REPORTING ENTITY**

The Village of Ottawa Hills, Lucas 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. The Village is directed by a six-member Council elected at large for four year terms. The Mayor is elected to a four-year term, serves as the President of Council and votes only to break a tie.

The reporting entity is comprised of the primary government. There are no component units or other organizations that are required to be included in the financial statements.

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, maintenance of Village roads and bridges, park operations, and police and fire services.

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.

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the Village as a whole. These statements include the financial activities of the Village as a whole. The Village does not have any business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

**VILLAGE OF OTTAWA HILLS  
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)**

The statement of net position presents the cash balance of the governmental activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental 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 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 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.

**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 Village only has governmental funds.

**Governmental Funds**

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Village's major governmental funds are the General Fund, Capital Projects Fund, Capital Grants Fund, Capital Financed Fund and the Capital Reserve Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio. The Capital Projects Fund is used to account for capital expenditures that don't relate to grants or debt issuance. It is funded by transfers from the General Fund. The Capital Grants Fund accounts for construction projects involving grants from the State of Ohio. The grant funds are restricted to their particular project. Additional monies are transferred to this fund as needed from the General Fund.

The Capital Financed Fund was established to account for monies from the issuance of 5-year notes to be used for street lighting and other capital projects. The Capital Reserve Fund is set up with money that is set aside to show the intent of the Village to fund future capital projects over the next 5 years. The other governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose.

**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.

**VILLAGE OF OTTAWA HILLS  
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)**

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 expenses and liabilities) 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 certificate of estimated resources, and the appropriations ordinance, both of which are prepared on the budgetary basis of accounting. Lucas County no longer requires submission of a tax budget to the County Budget Commission. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund, department, and category level, i.e. personal services, operating and maintenance, and capital categories, 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. 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 of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

**VILLAGE OF OTTAWA HILLS  
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)**

During 2013, the Village invested in U.S. Agency Instruments, money market funds, certificates of deposit through the CDARS program and STAR Ohio and STAR Plus. The U.S. Agency Instruments and certificates of deposit are reported at cost. The Village's money market fund investments are recorded at the amount reported by each institution at December 31, 2013.

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, 2013.

STAR Plus is a cash management program endorsed by the State Treasurer that allows Ohio political subdivisions to deposit funds into a fully FDIC-insured bank deposit program that offers a competitive yield and weekly liquidity. STAR Plus was made possible by Ohio House Bill 209, which amended the Uniform Depository Act of the Ohio Revised Code.

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 2013 was \$35,091 which includes \$15,074 assigned from other Village funds.

**F. Restricted Assets**

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation.

**G. 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.

**H. 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.

**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.

**VILLAGE OF OTTAWA HILLS  
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)**

J. Employer Contributions to Cost-Sharing Pension Plans

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

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 either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include \$643,394 for Capital Grants, \$792,502 for Street Construction, \$65,281 for State Highway Improvement, \$5,697 for Law Enforcement, \$34,148 for Drug Enforcement, \$105,714 for Street Lights, \$157,714 for Shade Trees, \$116,528 for Police Pension, and \$291,530 for Firemen's Pension.

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

M. Fund Balance

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

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

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

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

**VILLAGE OF OTTAWA HILLS  
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)**

**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**

Interfund transfers are reported as other financing sources/uses in governmental funds.

**NOTE 3 – BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is 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 \$1,008,042 for the General Fund.

**VILLAGE OF OTTAWA HILLS  
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**NOTE 4 – DEPOSITS AND INVESTMENTS**

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

The Village has adopted an investment policy which is more restrictive than provided for under the Uniform Depository Act, Ohio Revised Code Section 135. This policy has been filed with the State Auditor and annual training is completed as required. Interim monies held by the Village can be deposited or invested in the following securities according to this policy:

It is the intention of the Village of Ottawa Hills to invest Village funds in a manner that:

1. Preserves principal
2. Insures security of funds
3. Maximizes return

To accomplish these goals the Council of the Village of Ottawa Hills adopts the following policies that comply with the Uniform Depository Act, Ohio Revised Code Section 135.

Authorized Investments:	Collateralized Certificates of Deposit Insured Certificates of Deposit Repurchase Agreements – agreements with banks to purchase a security from the bank and resell it to the bank to produce a stated interest rate (securities must be legal investments under the O.R.C. Section 135) U.S Treasuries U.S. Agencies (excluding derivatives) STAR Ohio
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Terms of Investments:	Maximum Five (5) Years
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Diversification:	May not exceed 50% of invested fund in STAR Ohio May not exceed 40% of invested funds in any one bank
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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

**VILLAGE OF OTTAWA HILLS  
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**NOTE 4 – DEPOSITS AND INVESTMENTS - (CONTINUED)**

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.

Deposits

At year end, the Village had \$200 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

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, \$331,815 of the Village's bank balance of \$834,533 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.

**VILLAGE OF OTTAWA HILLS  
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**NOTE 4 – DEPOSITS AND INVESTMENTS - (CONTINUED)**

As of December 31, 2013, the Village had the following investments:

	<u>Amount</u>	<u>Maturity</u>
Federal National Mortgage Assoc. securities	\$619,850	10/14/2014
	500,000	12/27/2017
	501,700	8/21/2018
	<u>1,621,550</u>	
Federal Home Loan Mortgage securities (FHLMC)	376,904	6/20/2016
	699,210	9/15/2016
	<u>1,076,114</u>	
Federal Farm Credit Bureau securities (FFCB)	599,616	8/1/2016
	499,750	3/12/2018
	<u>1,099,366</u>	
Certificates of Deposit (CDARS Program)	500,000	5/8/2014
	304,006	9/25/2014
	500,000	1/22/2015
	303,342	2/19/2015
	512,569	10/22/2015
	300,487	5/5/2016
	<u>2,420,404</u>	
Goldman Sachs CD	206,344	
Discover Bank CD	100,000	
Discover Bank CD	100,000	
Morgan Stanley Money Market	9,451	
STAR Ohio	391,921	53 days
STAR Plus	549,658	
	<u><u>\$7,574,808</u></u>	

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Village's investment policy addresses interest rate risk by requiring that the Village's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

STAR Ohio carries a rating of AAA 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.

**VILLAGE OF OTTAWA HILLS  
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**NOTE 4 – DEPOSITS AND INVESTMENTS - (CONTINUED)**

STAR Plus is authorized under the Uniform Depository Act of Ohio and endorsed by the State Treasurer. It is a fully FDIC-insured deposit program with weekly liquidity.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The U.S. Agency Securities are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent, but not in the Village's name. The Village has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

**NOTE 5 – INCOME TAXES**

The Village levies a 1.5 percent income tax whose proceeds are placed into the General 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. When the taxable income of a resident is subject to income tax in another municipality on the same income taxable under this ordinance, the resident is allowed a credit of the amount of income tax paid on such taxable income to such other municipality, equal to fifty percent (50%) of the amount obtained by multiplying the lower of the tax rate of such other municipality or of this municipality (1.5%) by the taxable income earned in or attributable to the municipality of employment or business activity. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

**NOTE 6 – PROPERTY TAXES**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2012 represent the collection of 2011 taxes. Real property taxes received in 2013 were levied after October 1, 2012, on the assessed values as of January 1, 2012, 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 January 31, with the remainder payable by July 31.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2013 public utility property taxes which became a lien December 31, 2012, are levied after October 1, 2012, and are collected in 2013 with real property taxes.

**VILLAGE OF OTTAWA HILLS  
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**NOTE 6 – PROPERTY TAXES – (CONTINUED)**

The full tax rate for all Village operations for the year ended December 31, 2013, was \$4.10 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2013 property tax receipts were based are as follows:

Real Property	
Residential & Agriculture	\$148,731,900
Commercial/Industrial/Mineral	3,315,590
Public Utility Property	
Personal	1,131,200
Tangible Personal Property	
Total Assessed Value	<u>\$153,178,690</u>

**NOTE 7 – RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Wrongful acts;
- Law Enforcement;
- Vehicles;
- Errors and omissions
- Inland Marine;
- Electronic Data Processing; and
- Boiler and Machinery.

The Village also provides health insurance to full-time employees through a private carrier. A cafeteria (Section 125) plan is available to eligible employees. Dental insurance is made available on a voluntary basis through a private carrier.

**NOTE 8 – DEFINED BENEFIT PENSION PLANS**

**A. Ohio Public Employees Retirement System**

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional 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.

**VILLAGE OF OTTAWA HILLS  
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**NOTE 8 – DEFINED BENEFIT PENSION PLANS - (CONTINUED)**

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, 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 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 that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2013, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 10 percent of their annual covered salaries. The Village's contribution rate for pension benefits for 2013 was 14 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2013, 2012 and 2011 were \$180,190, \$191,338, and \$186,397, respectively. 91.8 percent has been contributed for 2013 and 100 percent for 2012 and 2011.

**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 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 the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the Village is required to contribute 19.5 percent for police officers. Contributions are authorized by State statute. The Village's required contributions to the Fund for the years ended December 31, 2013, 2012 and 2011 were \$129,312, \$131,060, and \$138,429. 92.2 percent has been contributed for 2013 and 100 percent for 2012 and 2011.

**C. Social Security Administration**

Beginning in 2012 the Village no longer had employees who contribute to Social Security. In prior years part-time firefighters contributed to Social Security because they were not allowed to participate in OPERS or OP&F. This plan provides retirement benefits, including survivor and disability benefits to participants. For 2011 these employees contributed 4.2% of their gross salaries. The Village contributed an amount equal to 6.2% of participant's gross salaries. The Village's required contributions to Social Security for the years ended December 31, 2012, 2011, and 2010 were \$0, \$327, and \$5,010. The full amount has been contributed for 2011 and 2010.

**VILLAGE OF OTTAWA HILLS  
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**NOTE 9 - POST EMPLOYMENT BENEFITS**

A. Ohio Public Employees Retirement System

Plan Description – OPERS maintains a cost-sharing multiple-employer defined benefit postemployment healthcare plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment healthcare. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for postemployment healthcare coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide healthcare 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 healthcare 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 4642 or by calling (614) 222-5601 or 800-222-7377.

Funding Policy – The postemployment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). State statute requires that public employers fund postemployment healthcare through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postemployment healthcare.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2013, local government employers contributed 14 percent of covered payroll (18.10 percent for public safety and law enforcement). Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding postemployment healthcare benefits. The amount of the employer contributions which was allocated to fund postemployment healthcare for members in the Traditional Plan was 1.0 percent of covered payroll during calendar year 2013. The portion of the employer contributions which was allocated to fund postemployment healthcare for members in the Combined Plan was 1.0 percent of covered payroll during calendar year 2013. Effective 2014, the portion of employer contributions allocated to healthcare was raised to 2.0 percent for both plans, as recommended by the OPERS Actuary.

The retirement board is also authorized to establish rules for the payment of a portion of the healthcare benefits by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the postemployment healthcare plan.

Actual Village contributions for 2013 which were used to fund post-employment benefits were \$14,336.

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 post-employment health care plan administered by OP&F. OP&F provides health care 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.

**VILLAGE OF OTTAWA HILLS  
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**NOTE 9 - POST EMPLOYMENT BENEFITS – (CONTINUED)**

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 survivor benefit check 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 No. 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 is 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.

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 by Ohio Revised Code to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively. 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. The portion of employer contributions allocated to health care was 4.69% of covered payroll from January 1, 2013 thru May 31, 2013 and 2.85% of covered payroll from June 1, 2013 thru December 31, 2013. 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 which were allocated to fund post-employment health care benefits for police and firefighters was \$34,683 and \$0 for the year ended December 31, 2013, \$43,980 and \$0 for the year ended December 31, 2012, and \$39,662 and \$15,073 for the year ended December 31, 2011. For 2013, 92.2 percent has been contributed. The full amount has been contributed for 2012 and 2011.

**VILLAGE OF OTTAWA HILLS  
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**NOTE 10 – DEBT**

The Village's long-term debt activity for the year ended December 31, 2013, was as follows:

<u>Governmental Activities</u>	<u>Interest Rate</u>	<u>Balance December 31, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2013</u>	<u>Due Within One Year</u>
2004 OPWC Loan Original Amount \$161,358	0%	\$16,135		\$16,135		
2005 OPWC Loan Original Amount \$415,014	0%	103,753		41,501	\$62,252	\$41,501
2012 OPWC Loan CTB8M Original Amount \$24,388	0%	21,949		2,439	19,510	2,439
2012 OPWC Loan CT44N Original Amount \$90,014	0%	85,513		9,002	76,511	9,002
<b>Total</b>		<u>\$227,350</u>		<u>\$69,077</u>	<u>\$158,273</u>	<u>\$52,942</u>

The OPWC 2004 loan related to a road repair/replacement project involving several roads in a joint project with the City of Toledo. The total amount of the loan is \$161,358, with \$60,500 of the loan relating to the City of Toledo's portion of the project. The loan will be repaid in semi-annual installments of \$8,068, principal only payments, over 10 years. The City of Toledo will be billed \$3,025 semi-annually for their portion of the loan.

The OPWC 2005 loan relates to a repair project of several roads in a joint project with the City of Toledo. The total amount of the loan is \$415,014, with \$195,056 of the loan relating to the City of Toledo's portion of the project. The loan will be repaid in semi-annual installments of \$20,751, principal only payments over 10 years. The City of Toledo will be billed \$9,753 semi-annually for their portion of the loan.

The OPWC 2012 CTB8M loan related to pavement and storm sewer repairs to Bancroft Street. The 2012 CTB8M OPWC loan totals \$24,388. The loan will be repaid in semi-annual installments of \$1,219, principal only payments, over 10 years.

The OPWC 2012 CT44N loan related to a storm sewer rehabilitation project. The 2012 CT44N OPWC loan totals \$90,014. The loan will be repaid in semi-annual installments of \$4,501, principal only payments, over 10 years.

**VILLAGE OF OTTAWA HILLS  
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**NOTE 10 – DEBT (CONTINUED)**

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

Debt Service Requirements Year ending December 31:	OPWC Loans Principal
2014	\$52,942
2015	32,190
2016	11,440
2017	11,440
2018-2023	50,261
Total	\$158,273

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, 2013, were an overall debt margin of \$15,896,670 and an unvoted debt margin of \$8,424,828.

**NOTE 11 – INTERFUND TRANSFERS**

During 2013 the following transfers were made:

Transfers from the General Fund to:	
Capital Projects Fund	\$700,000
Other Governmental Funds	150,000
Total Transfers	\$850,000

General Fund Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**NOTE 12 – CONSTRUCTION AND CONTRACTUAL COMMITMENTS**

The Village has encumbered \$883,560 for the remaining two years of the current contract with the City of Toledo to provide fire protection and emergency medical services for the Village.

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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 Ottawa Hills  
Lucas County  
2125 Richards Road  
Ottawa Hills, Ohio 43606

To the Honorable Mayor and 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, each major fund, and the aggregate remaining fund information of the Village of Ottawa Hills, Lucas County, Ohio (the Village) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated August 1, 2014, wherein we noted the Village uses a special purpose framework other than generally accepted accounting principles.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our 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

August 1, 2014



# Dave Yost • Auditor of State

VILLAGE OF OTTAWA HILLS

LUCAS 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  
AUGUST 21, 2014