



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 years ended December 31, 2015 and 2014, 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, 2015 and 2014, and the respective changes in cash financial position and the budgetary comparison for the General fund thereof for the years 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. The financial statements are prepared on the cash basis of accounting, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

We applied no procedures to Management's Discussion and Analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2016, 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

November 17, 2016

Village of Ottawa Hills, Lucas County
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

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, 2015, 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 2015 are as follows:

- Net position of governmental activities decreased by \$346,488 or 5 percent compared with the prior year. The Village used a small portion of its cash balance to fund a road construction project, resulting in the decrease in net assets.
- In November 2014 Village residents approved an additional property tax levy of 3.9 mills for road and bridge repair. The County Auditor estimated that the levy would generate approximately \$600,000 per year. The Village began collecting those funds in 2015.
- During 2015 the Village contracted with another local municipality to provide Police and Fire dispatching. This step was taken to improve efficiency and reduce costs. Dispatching is a service that is commonly centralized as a result of technology.
- The Village's general receipts are primarily income and property taxes. These receipts represent 61.0 and 19.7 percent respectively of the total cash received for governmental activities during the year. Income tax receipts increased by \$185,154 or 6.0 percent versus 2014. General property taxes remained the same compared with 2014. The voted property tax levy generated \$520,807 in additional revenue.
- The Village's efforts to control operating costs through reduction of full time staff, combined with lower costs for insurance, salt and snow removal, fuel, etc. produced an operating surplus. 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.

Village of Ottawa Hills, Lucas County
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

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.

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 2015, 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.

Village of Ottawa Hills, Lucas County
 Management's Discussion and Analysis
 For the Year Ended December 31, 2015
 Unaudited

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, Street Construction Fund, Capital Projects Fund, Road Levy 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.

The Village as a Whole

Table 1 provides a summary of the Village's net position for 2015 compared to 2014 on a cash basis.

(Table 1)
Net Position

	Governmental Activities	
	2015	2014
Assets		
Cash and Cash Equivalents	\$6,626,236	\$6,972,724
Net Position		
Restricted for:		
Capital Projects	479,535	387,168
Other Purposes	1,039,120	1,521,847
Unrestricted	5,107,581	5,063,709
Total Net Position	\$6,626,236	\$6,972,724

The net position of governmental activities decreased \$346,488 due to a road repaving project.

Village of Ottawa Hills, Lucas County
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

Table 2 reflects the changes in net position for the year ended December 31, 2015 compared to 2014.

(Table 2)
Changes in Net Position

	Governmental Activities		
	2015	2014	Change
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$177,480	\$183,218	(\$5,738)
Operating Grants and Contributions	281,924	267,080	14,844
Capital Grants and Contributions	251,584	25,544	226,040
Total Program Receipts	710,988	475,842	235,146
General Receipts:			
Property and Other Local Taxes	1,067,253	545,698	521,555
Income Taxes	3,294,807	3,109,653	185,154
Other Taxes	51,112	49,828	1,284
Grants and Entitlements Not Restricted to Specific Programs	184,071	170,682	13,389
Interest	50,571	13,367	37,204
Miscellaneous	45,558	80,854	(35,296)
Total General Receipts	4,693,372	3,970,082	723,290
Total Receipts	5,404,360	4,445,924	958,436
Disbursements:			
General Government	\$681,641	\$847,607	(165,966)
Security of Persons and Property:	2,119,222	2,255,852	(136,630)
Public Health Services	33,713	33,713	
Leisure Time Activities	448,576	418,456	30,120
Basic Utilities	475,442	503,890	(28,448)
Transportation	944,040	530,462	413,578
Capital Outlay	995,272	1,254,412	(259,140)
Principal Retirement	52,942	61,010	(8,068)
Total Disbursements	5,750,848	5,905,402	(154,554)
(Decrease) in Net Position	(346,488)	(1,459,478)	1,112,990
Net Position Beginning of Year	6,972,724	8,432,202	(1,459,478)
Net Position End of Year	\$6,626,236	\$6,972,724	(\$346,488)

General program receipts represent only 13.2 percent of total receipts in 2015 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 86.8 percent of the Village's total receipts for 2015, and, of this amount, 92.9 percent are local income and property taxes. State and federal grants and entitlements and interest

Village of Ottawa Hills, Lucas County
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

make up the balance of the Village's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

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 2015 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 2015 are for security of persons and property, capital outlay and general government, which account for 36.9, 17.3 and 11.9 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)

	Governmental Activities			
	Total Cost Of Services	Net Cost of Services	Total Cost Of Services	Net Cost of Services
	2015	2015	2014	2014
General Government	\$681,641	\$664,522	\$847,607	\$826,447
Security of Persons and Property	2,119,222	2,030,171	2,255,852	2,159,403
Public Health Services	33,713	33,713	33,713	33,713
Leisure Time Activities	448,576	322,472	418,456	302,464
Basic Utilities	475,442	437,628	503,890	474,034
Transportation	944,040	754,724	530,462	343,621
Capital Outlay	995,272	743,688	1,254,412	1,228,868
Principal Retirement	52,942	52,942	61,010	61,010
Total Expenses	\$5,750,848	\$5,039,860	\$5,905,402	\$5,429,560

The dependence upon property and income tax receipts is apparent as over 87.6 percent of governmental activities are supported through general receipts in 2015.

Village of Ottawa Hills, Lucas County
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

The Village's Funds

Total governmental funds had receipts of \$5,404,360 and disbursements of \$5,750,848. The General Fund balance increased \$101,197. The Street Construction Fund decreased by \$441,542 as restricted revenues were used for road construction. The Capital Projects Fund decreased by \$57,571. The Road Levy Fund balance increased by \$211,850 due to transfers for road construction projects. There was no change to the Capital Reserve Fund balance.

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 2015, the Village amended its General Fund budget to reflect changing circumstances. Actual receipts exceeded final budgeted receipts by \$263,425 due to higher than expected income tax receipts.

Final disbursements in the General Fund were budgeted at \$4,515,966 while actual disbursements, including encumbrances at year end, were \$4,057,111, or 10.2 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, 2015, the Village's outstanding debt consisted of \$73,140 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, 2015, 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 Eric Shreve, 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
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$6,626,236
 Net Position	
Restricted for:	
Capital Projects	\$479,535
Other Purposes	1,039,120
Unrestricted	5,107,581
<i>Total Net Position</i>	\$6,626,236

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, 2015**

	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
Governmental Activities					
Current:					
Security of Persons and Property	\$2,119,222	\$5,219	\$83,832		(\$2,030,171)
Public Health Services	33,713				(33,713)
Leisure Time Activities	448,576	117,328	8,776		(322,472)
Basic Utility Services	475,442	37,814			(437,628)
Transportation	944,040		189,316		(754,724)
General Government	681,641	17,119			(664,522)
Capital Outlay	995,272			\$251,584	(743,688)
Debt Service:					
Principal Retirement	52,942				(52,942)
Total	<u>\$5,750,848</u>	<u>\$177,480</u>	<u>\$281,924</u>	<u>\$251,584</u>	<u>(\$5,039,860)</u>

General Receipts:	
Property Taxes Levied for:	
General Purposes	466,528
Police Pension	39,959
Fire Pension	39,959
Capital Outlay	520,807
Income Taxes	3,294,807
Other Local Taxes	51,112
Grants and Entitlements not Restricted to Specific Programs	184,071
Earnings on Investments	50,571
Miscellaneous	45,558
Total General Receipts	<u>4,693,372</u>
Change in Net Position	(346,488)
Net Position Beginning of Year	<u>6,972,724</u>
Net Position End of Year	<u>\$6,626,236</u>

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
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Street Construction Fund	Capital Projects Fund	Road Levy Fund	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
Assets							
Equity in Pooled Cash and Cash Equivalents	\$3,534,761	\$339,370	\$245,027	\$212,434	\$1,000,000	\$1,294,644	\$6,626,236
Fund Balances							
Nonspendable	207						207
Restricted		339,370		212,434		966,644	1,518,448
Committed	20,026		131,499			328,000	479,525
Assigned	744,765		113,528		1,000,000		1,858,293
Unassigned	2,769,763						2,769,763
<i>Total Fund Balances</i>	<u>\$3,534,761</u>	<u>\$339,370</u>	<u>\$245,027</u>	<u>\$212,434</u>	<u>\$1,000,000</u>	<u>\$1,294,644</u>	<u>\$6,626,236</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, 2015**

	General	Street Construction Fund	Capital Projects Fund	Road Levy Fund	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
Receipts							
Municipal Income Taxes	\$3,294,807						\$3,294,807
Property and Other Local Taxes	466,528			\$520,807		\$79,918	1,067,253
Intergovernmental	163,571	\$175,938		168,934		119,005	627,448
Special Assessments						64,193	64,193
Charges for Services	109,965						109,965
Fines, Licenses and Permits	68,231					2,300	70,531
Earnings on Investments	48,548	1,517				506	50,571
Miscellaneous	119,592						119,592
<i>Total Receipts</i>	<u>4,271,242</u>	<u>177,455</u>		<u>689,741</u>		<u>265,922</u>	<u>5,404,360</u>
Disbursements							
Current:							
Security of Persons and Property	1,865,423					253,799	2,119,222
Public Health Services	33,713						33,713
Leisure Time Activities	383,103					65,473	448,576
Basic Utility Services	475,442						475,442
Transportation	310,723	618,997				14,320	944,040
General Government	681,641						681,641
Capital Outlay			\$157,571	677,891		159,810	995,272
Debt Service:							
Principal Retirement						52,942	52,942
<i>Total Disbursements</i>	<u>3,750,045</u>	<u>618,997</u>	<u>157,571</u>	<u>677,891</u>		<u>546,344</u>	<u>5,750,848</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>521,197</u>	<u>(441,542)</u>	<u>(157,571)</u>	<u>11,850</u>		<u>(280,422)</u>	<u>(346,488)</u>
Other Financing Sources (Uses)							
Transfers In			100,000	200,000		120,000	420,000
Transfers Out	(420,000)						(420,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(420,000)</u>		<u>100,000</u>	<u>200,000</u>		<u>120,000</u>	
<i>Net Change in Fund Balances</i>	101,197	(441,542)	(57,571)	211,850		(160,422)	(346,488)
<i>Fund Balances Beginning of Year</i>	<u>3,433,564</u>	<u>780,912</u>	<u>302,598</u>	<u>584</u>	<u>\$1,000,000</u>	<u>1,455,066</u>	<u>6,972,724</u>
<i>Fund Balances End of Year</i>	<u>\$3,534,761</u>	<u>\$339,370</u>	<u>\$245,027</u>	<u>\$212,434</u>	<u>\$1,000,000</u>	<u>\$1,294,644</u>	<u>\$6,626,236</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, 2015**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Municipal Income Taxes	\$3,550,000	\$3,100,000	\$3,294,807	\$194,807
Property and Other Taxes	465,000	465,000	466,528	1,528
Intergovernmental	162,600	154,400	163,571	9,171
Charges for Services	95,000	95,000	109,965	14,965
Fines, Licenses and Permits	69,000	67,100	68,231	1,131
Earnings on Investments	46,000	36,000	48,548	12,548
Miscellaneous	72,500	90,600	119,592	28,992
<i>Total Receipts</i>	<u>4,460,100</u>	<u>4,008,100</u>	<u>4,271,242</u>	<u>263,142</u>
Disbursements				
Current:				
Security of Persons and Property	2,095,021	2,075,821	1,932,146	143,675
Public Health Services	35,700	35,700	33,713	1,987
Leisure Time Activities	427,668	442,668	401,438	41,230
Basic Utility Services	534,815	534,815	487,740	47,075
Transportation	453,955	448,155	361,735	86,420
General Government	968,807	978,807	840,339	138,468
<i>Total Disbursements</i>	<u>4,515,966</u>	<u>4,515,966</u>	<u>4,057,111</u>	<u>458,855</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(55,866)</u>	<u>(507,866)</u>	<u>214,131</u>	<u>721,997</u>
Other Financing Uses				
Transfers Out	(420,000)	(420,000)	(420,000)	
<i>Total Other Financing Uses</i>	<u>(420,000)</u>	<u>(420,000)</u>	<u>(420,000)</u>	
<i>Change in Net Position</i>	(475,866)	(927,866)	(205,869)	721,997
<i>Net Position Beginning of Year</i>	2,775,538	2,775,538	2,775,538	
Prior Year Encumbrances Appropriated	658,026	658,026	658,026	
<i>Net Position End of Year</i>	<u>\$2,957,698</u>	<u>\$2,505,698</u>	<u>\$3,227,695</u>	<u>\$721,997</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, 2015**

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.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, 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. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989. Following are the more significant of the Village's accounting policies.

A. Basis of Presentation

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

Government-Wide Financial Statements

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.

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

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

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

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, Street Construction Fund, Capital Projects Fund, Road Levy 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 Street Construction Fund is used to account for expenses related to road maintenance. It is funded by intergovernmental receipts from license, gasoline excise and highway distributions. The Capital Projects Fund is used to account for capital expenditures that don't relate to grants. It is funded by transfers from the General Fund. The Road Levy Fund accounts for road construction projects. It is funded by a voted property tax along with 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 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, 2015
(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, 2015
(Continued)**

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

During 2015, the Village invested in U.S. Agency Instruments, money market funds, FDIC insured certificates of deposit, certificate of deposit through the CDARS program and STAR Ohio. 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, 2015.

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, 2015.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2015 were \$48,548 which includes \$23,044 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.

J. Employer Contributions to Cost-Sharing Pension Plans

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

VILLAGE OF OTTAWA HILLS
LUCAS COUNTY

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

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

K. Long-Term Obligations

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

L. Net Position

Net position is reported as restricted when there are limitations imposed on their use 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 \$339,370 for Street Construction, \$57,955 for State Highway Improvement, \$9,401 for Law Enforcement, \$29,752 for Drug Enforcement, \$102,567 for Street Lights, \$144,345 for Shade Trees, \$101,893 for Police Pension, \$253,630 for Firemen's Pension and \$207 for Unclaimed Funds.

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, 2015
(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 \$307,066 for the General Fund.

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(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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**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

NOTE 4 – DEPOSITS AND INVESTMENTS - (CONTINUED)

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short

selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

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, none of the Village's bank balance of \$167,822 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, 2015
(Continued)**

NOTE 4 – DEPOSITS AND INVESTMENTS - (CONTINUED)

As of December 31, 2015, the Village had the following investments:

	<u>Amount</u>	<u>Maturity</u>
Federal National Mortgage Assoc. securities	\$500,000	12/27/2017
Federal Home Loan Mortgage securities (FHLMC)	376,904	6/20/2016
	699,210	9/15/2016
	<u>273,952</u>	11/27/2020
	1,350,066	
Federal Farm Credit Bureau securities (FFCB)	499,750	3/12/2018
	<u>500,269</u>	7/8/2020
	1,000,019	
Certificates of Deposit (CDARS Program)	501,629	5/5/2016
	301,238	5/5/2016
	<u>304,891</u>	2/16/2017
	1,107,758	
Ally Bank CD	250,000	
Capital One USA CD	250,000	
Capital One Virginia CD	250,000	
Comenity Bank CD	100,000	
Compass Bank CD	245,000	
Discover Bank CD	100,000	
Discover Bank CD	100,000	
Discover Bank CD	50,000	
Everbank CD	150,000	
GE Retail Bank CD	250,000	
Goldman Sachs CD	50,000	
Goldman Sachs CD	198,000	
STAR Ohio	434,406	49.4 days
	<u>\$6,385,249</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.

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

NOTE 4 – DEPOSITS AND INVESTMENTS - (CONTINUED)

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.

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 taxes received in 2015 were levied after October 1, 2014, on the assessed values as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due January 31, with the remainder payable by July 31.

The full tax rate for all Village operations for the year ended December 31, 2015 was \$4.10 per \$1,000 of assessed value for inside millage and \$3.9 per \$1,000 of assessed value for voted millage for road and bridge repair. The assessed values of real property, public utility property upon which 2015 property tax receipts were based are as follows:

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

NOTE 6 – PROPERTY TAXES (CONTINUED)

Real Property	
Residential & Agriculture	\$147,407,660
Commercial/Industrial/Mineral	2,937,600
Public Utility Property	
Personal	1,598,020
Tangible Personal Property	
Total Assessed Value	<u>\$151,943,280</u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Village. The County Auditor periodically remits to the Village its portion of the taxes collected.

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

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

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

NOTE 8 – DEFINED BENEFIT PENSION PLANS - (CONTINUED)

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

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

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

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

NOTE 8 – DEFINED BENEFIT PENSION PLANS - (CONTINUED)

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

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

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

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

	<u>State and Local</u>	<u>Public Safety</u>	<u>Law Enforcement</u>
2015 Statutory Maximum Contribution Rates			
Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	*	**
2015 Actual Contribution Rates			
Employer:			
Pension	12.0 %	16.1 %	16.1 %
Post-employment Health Care Benefits	<u>2.0</u>	<u>2.0</u>	<u>2.0</u>
Total Employer	<u>14.0 %</u>	<u>18.1 %</u>	<u>18.1 %</u>
Employee	<u>10.0 %</u>	<u>12.0 %</u>	<u>13.0 %</u>

* This rate is determined by OPERS' Board and has no maximum rate established by ORC.

** This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

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

The Village’s contractually required contribution was \$140,629 for year 2015.

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

NOTE 8 – DEFINED BENEFIT PENSION PLANS - (CONTINUED)

B. Ohio Police and Fire Pension Fund

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

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

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

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

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

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

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

NOTE 8 – DEFINED BENEFIT PENSION PLANS - (CONTINUED)

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

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

Employer contribution rates are expressed as a percentage of covered payroll. The Village's contractually required contribution to OPF was \$129,488 for 2015.

NOTE 9 - POST EMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

Plan Description – OPERS administers three separate pension plans: the Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

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

In order to qualify for postemployment healthcare coverage, age-and-service retirees under the Traditional Pension 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 healthcare coverage provided by OPERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45.

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

NOTE 9 - POST EMPLOYMENT BENEFITS – (CONTINUED)

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222 – 7377.

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement healthcare coverage through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement healthcare benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2015 local government employers contributed at a rate of 14.0% of covered payroll and public safety and law enforcement employers contributed at 18.10%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of postemployment healthcare benefits. The portion of employer contributions allocated to healthcare for members in the Tradition Plan was 1.0% during calendar year 2013. The portion of employer contributions allocated to healthcare for members in the Combined Plan was 1.0% during calendar year 2013. Effective January 1, 2014, the portion of employer contributions allocated to healthcare was raised to 2.0% for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rule for the payment of a portion of healthcare benefits provided, by the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Village's contributions allocated to fund postemployment healthcare benefits for the year ended December 31, 2015 was \$20,736, which was equal to the required contributions.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the healthcare plan.

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, 2015
(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 .5% of covered payroll from January 1, 2015 thru December 31, 2015. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The 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 was \$3,385 for the year ended December 31, 2015, \$3,524 for the year ended December 31, 2014, and \$34,683 for the year ended December 31, 2013. For 2015, 92.4 percent has been contributed. The full amount has been contributed for 2014 and 2013.

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

NOTE 10 – DEBT

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

	Interest Rate	December 31, 2014	Additions	Reductions	December 31, 2015	Due Within One Year
<u>Governmental Activities</u>						
2005 OPWC Loan	0%	\$41,501		\$41,501		
Original Amount \$415,014						
2012 OPWC Loan CTB8M	0%	17,071		2,439	\$14,632	\$2,439
Original Amount \$24,388						
2012 OPWC Loan CT44N	0%	67,510		9,002	58,508	9,002
Original Amount \$90,014						
Total		<u>\$126,082</u>		<u>\$52,942</u>	<u>\$73,140</u>	<u>\$11,441</u>

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 Village made the final debt payment during 2015.

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.

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

<u>Debt Service Requirements Year ending December 31:</u>	<u>OPWC Loans Principal</u>
2016	\$11,441
2017	11,441
2018	11,441
2019	11,441
2020	11,438
2021-2022	15,938
Total	<u>\$73,140</u>

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2015, were an overall debt margin of \$15,880,904 and an unvoted debt margin of \$8,356,880.

VILLAGE OF OTTAWA HILLS
LUCAS COUNTY

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

NOTE 11 – INTERFUND TRANSFERS

During 2015 the following transfers were made:

Transfers from the General Fund to:	
Capital Projects Fund	\$100,000
Road Levy Fund	200,000
Other Governmental Funds	120,000
Total Transfers	<u>\$420,000</u>

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 no significant contracts encumbered as of December 31, 2015.

Village of Ottawa Hills, Lucas County
Management's Discussion and Analysis
For the Year Ended December 31, 2014
Unaudited

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, 2014, 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 2014 are as follows:

- Net position of governmental activities decreased by \$1,459,478 or 17.3 percent compared with the prior year. The Village had budgeted to use some of its cash balance to fund capital expenditures, primarily road construction, resulting in the decrease in net assets.
- In November 2014 Village residents approved an additional property tax levy of 3.9 mills for road and bridge repair. The County Auditor estimated that the levy would generate approximately \$600,000 per year. The Village began collecting those funds in 2015.
- The Village's general receipts are primarily income and property taxes. These receipts represent 69.9 and 12.3 percent respectively of the total cash received for governmental activities during the year. Income tax receipts decreased by \$518,709 or 14.3 percent versus 2013. General property taxes increased by 1.6% compared with 2013.

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.

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

Village of Ottawa Hills, Lucas County
Management's Discussion and Analysis
For the Year Ended December 31, 2014
Unaudited

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 2014, 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, Street Constructions Fund, Capital Projects Fund, Capital Grants 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, 2014
Unaudited

The Village as a Whole

Table 1 provides a summary of the Village's net position for 2014 compared to 2013 on a cash basis.

(Table 1)
Net Position

	Governmental Activities	
	2014	2013
Assets		
Cash and Cash Equivalents	\$6,972,724	\$8,432,202
Net Position		
Restricted for:		
Capital Projects	387,168	1,899,645
Other Purposes	1,521,847	1,940,915
Unrestricted	5,063,709	4,591,642
Total Net Position	\$6,972,724	\$8,432,202

The net position of governmental activities decreased \$1,459,478 due to planned capital spending, primarily road reconstruction.

Village of Ottawa Hills, Lucas County
Management's Discussion and Analysis
For the Year Ended December 31, 2014
Unaudited

Table 2 reflects the changes in net position for the year ended December 31, 2014 compared to 2013.

(Table 2)			
Changes in Net Position			
	Governmental Activities		
	2014	2013	Change
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$183,218	\$195,605	(\$12,387)
Operating Grants and Contributions	267,080	291,622	(24,542)
Capital Grants and Contributions	25,544	25,544	
Total Program Receipts	475,842	512,771	(36,929)
General Receipts:			
Property and Other Local Taxes	545,698	537,039	8,659
Income Taxes	3,109,653	3,628,362	(518,709)
Other Taxes	49,828	48,236	1,592
Grants and Entitlements Not Restricted			
to Specific Programs	170,682	327,539	(156,857)
Interest	13,367	36,553	(23,186)
Miscellaneous	80,854	109,436	(28,582)
Total General Receipts	3,970,082	4,687,165	(717,083)
Total Receipts	4,445,924	5,199,936	(754,012)
Disbursements:			
General Government	\$847,607	\$814,000	33,607
Security of Persons and Property:	2,255,852	2,302,085	(46,233)
Public Health Services	33,713	36,487	(2,774)
Leisure Time Activities	418,456	454,460	(36,004)
Basic Utilities	503,890	480,054	23,836
Transportation	530,462	470,155	60,307
Capital Outlay	1,254,412	1,006,926	247,486
Principal Retirement	61,010	69,078	(8,068)
Total Disbursements	5,905,402	5,633,245	272,157
(Decrease) in Net Position	(1,459,478)	(433,309)	(1,026,169)
Net Position Beginning of Year	8,432,202	8,865,511	(433,309)
Net Position End of Year	\$6,972,724	\$8,432,202	(\$1,459,478)

General program receipts represent only 10.7 percent of total receipts in 2014 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.

Village of Ottawa Hills, Lucas County
Management's Discussion and Analysis
For the Year Ended December 31, 2014
Unaudited

General receipts represent 89.3 percent of the Village's total receipts for 2014, and, of this amount, 92.1 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.

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 2014 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 2014 are for security of persons and property, capital outlay and general government, which account for 38.2, 21.2 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)

	Governmental Activities			
	Total Cost Of Services	Net Cost of Services	Total Cost Of Services	Net Cost of Services
	2014	2014	2013	2013
General Government	\$847,607	\$826,447	\$814,000	\$792,692
Security of Persons and Property	2,255,852	2,159,403	2,302,085	2,180,199
Public Health Services	33,713	33,713	36,487	36,487
Leisure Time Activities	418,456	302,464	454,460	327,281
Basic Utilities	503,890	474,034	480,054	450,978
Transportation	530,462	343,621	470,155	282,377
Capital Outlay	1,254,412	1,228,868	1,006,926	981,382
Principal Retirement	61,010	61,010	69,078	69,078
Total Expenses	<u>\$5,905,402</u>	<u>\$5,429,560</u>	<u>\$5,633,245</u>	<u>\$5,120,474</u>

The dependence upon property and income tax receipts is apparent as over 91.9 percent of governmental activities are supported through general receipts in 2014.

Village of Ottawa Hills, Lucas County
Management's Discussion and Analysis
For the Year Ended December 31, 2014
Unaudited

The Village's Funds

Total governmental funds had receipts of \$4,445,924 and disbursements of \$5,905,402. The General Fund balance decreased by \$1,221,880. The Street Construction Fund decreased by \$11,589. The Capital Projects Fund increased by \$46,932. The Capital Grants Fund balance decreased by \$256,810. There was no change to the Capital Reserve Fund balance.

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 2014, the Village amended its General Fund budget to reflect changing circumstances. Actual receipts exceeded final budgeted receipts by \$162,960 due to higher income tax receipts compared with final projections.

Final disbursements in the General Fund were budgeted at \$4,977,527 while actual disbursements, including encumbrances at year end, were \$4,700,366, or 5.6 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, 2014, the Village's outstanding debt consisted of \$126,082 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. The repeal of the Ohio estate tax as of January 1, 2013, which was a source for infrastructure repairs, has been a challenge. In November 2014 Village residents voted for a Road Levy that will provide funds for infrastructure needs. Ottawa Hills is almost completely residential and relies heavily on local taxes. 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 Eric Shreve, 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
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$6,972,724
 Net Position	
Restricted for:	
Capital Projects	\$387,168
Other Purposes	1,521,847
Unrestricted	5,063,709
<i>Total Net Position</i>	<i>\$6,972,724</i>

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, 2014**

	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
Governmental Activities					
Current:					
Security of Persons and Property	\$2,255,852	\$25,047	\$71,402		(\$2,159,403)
Public Health Services	33,713				(33,713)
Leisure Time Activities	418,456	107,155	8,837		(302,464)
Basic Utility Services	503,890	29,856			(474,034)
Transportation	530,462		186,841		(343,621)
General Government	847,607	21,160			(826,447)
Capital Outlay	1,254,412			\$25,544	(1,228,868)
Debt Service:					
Principal Retirement	61,010				(61,010)
Total	\$5,905,402	\$183,218	\$267,080	\$25,544	(\$5,429,560)

General Receipts:	
Property Taxes Levied for:	
General Purposes	465,856
Police Pension	39,921
Fire Pension	39,921
Income Taxes	3,109,653
Other Local Taxes	49,828
Grants and Entitlements not Restricted to Specific Programs	170,682
Earnings on Investments	13,367
Miscellaneous	80,854
Total General Receipts	3,970,082
Change in Net Position	(1,459,478)
<i>Net Position Beginning of Year</i>	<u>8,432,202</u>
<i>Net Position End of Year</i>	<u><u>\$6,972,724</u></u>

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
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Street Construction Fund	Capital Projects Fund	Capital Grants Fund	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
Assets							
Equity in Pooled Cash and Cash Equivalents	\$3,433,564	\$780,912	\$302,598	\$386,584	\$1,000,000	\$1,069,066	\$6,972,724
Fund Balances							
Nonspendable	453						453
Restricted		780,912		386,584		740,482	1,907,978
Committed	453,560		155,502			328,000	937,062
Assigned	204,466		147,096		1,000,000	584	1,352,146
Unassigned	2,775,085						2,775,085
Total Fund Balances	\$3,433,564	\$780,912	\$302,598	\$386,584	\$1,000,000	\$1,069,066	\$6,972,724

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, 2014**

	General	Street Construction Fund	Capital Projects Fund	Capital Grants Fund	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
Receipts							
Municipal Income Taxes	\$3,109,653						\$3,109,653
Property and Other Local Taxes	465,856					\$79,842	545,698
Intergovernmental	163,158	\$173,622		\$25,544		25,589	387,913
Special Assessments						64,407	64,407
Charges for Services	104,398						104,398
Fines, Licenses and Permits	70,988					5,925	76,913
Earnings on Investments	12,832	400				135	13,367
Miscellaneous	143,575						143,575
<i>Total Receipts</i>	<u>4,070,460</u>	<u>174,022</u>		<u>25,544</u>		<u>175,898</u>	<u>4,445,924</u>
Disbursements							
Current:							
Security of Persons and Property	1,989,575					266,277	2,255,852
Public Health Services	33,713						33,713
Leisure Time Activities	342,948					75,508	418,456
Basic Utility Services	503,890						503,890
Transportation	324,607	185,611				20,244	530,462
General Government	847,607						847,607
Capital Outlay			\$913,068	341,344			1,254,412
Debt Service:							
Principal Retirement				61,010			61,010
<i>Total Disbursements</i>	<u>4,042,340</u>	<u>185,611</u>	<u>913,068</u>	<u>402,354</u>		<u>362,029</u>	<u>5,905,402</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>28,120</u>	<u>(11,589)</u>	<u>(913,068)</u>	<u>(376,810)</u>		<u>(186,131)</u>	<u>(1,459,478)</u>
Other Financing Sources (Uses)							
Transfers In			960,000	120,000		170,000	1,250,000
Transfers Out	(1,250,000)						(1,250,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,250,000)</u>		<u>960,000</u>	<u>120,000</u>		<u>170,000</u>	
<i>Net Change in Fund Balances</i>	(1,221,880)	(11,589)	46,932	(256,810)		(16,131)	(1,459,478)
<i>Fund Balances Beginning of Year</i>	<u>4,655,444</u>	<u>792,501</u>	<u>255,666</u>	<u>643,394</u>	<u>\$1,000,000</u>	<u>1,085,197</u>	<u>8,432,202</u>
<i>Fund Balances End of Year</i>	<u>\$3,433,564</u>	<u>\$780,912</u>	<u>\$302,598</u>	<u>\$386,584</u>	<u>\$1,000,000</u>	<u>\$1,069,066</u>	<u>\$6,972,724</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, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Municipal Income Taxes	\$3,500,000	\$3,000,000	\$3,109,653	\$109,653
Property and Other Taxes	460,000	465,000	465,856	856
Intergovernmental	168,000	159,300	163,158	3,858
Charges for Services	130,000	103,000	104,398	1,398
Fines, Licenses and Permits	64,000	64,000	70,988	6,988
Earnings on Investments	33,500	15,000	12,832	(2,168)
Miscellaneous	95,600	101,200	143,575	42,375
<i>Total Receipts</i>	<u>4,451,100</u>	<u>3,907,500</u>	<u>4,070,460</u>	<u>162,960</u>
Disbursements				
Current:				
Security of Persons and Property	2,530,608	2,526,608	2,404,976	121,632
Public Health Services	34,000	34,000	33,713	287
Leisure Time Activities	425,972	414,972	382,386	32,586
Basic Utility Services	535,957	541,957	513,374	28,583
Transportation	372,896	387,896	365,232	22,664
General Government	963,094	1,072,094	1,000,685	71,409
<i>Total Disbursements</i>	<u>4,862,527</u>	<u>4,977,527</u>	<u>4,700,366</u>	<u>277,161</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(411,427)</u>	<u>(1,070,027)</u>	<u>(629,906)</u>	<u>440,121</u>
Other Financing Uses				
Transfers Out	(950,000)	(1,250,000)	(1,250,000)	
<i>Total Other Financing Uses</i>	<u>(950,000)</u>	<u>(1,250,000)</u>	<u>(1,250,000)</u>	
<i>Change in Net Position</i>	(1,361,427)	(2,320,027)	(1,879,906)	440,121
<i>Net Position Beginning of Year</i>	3,647,402	3,647,402	3,647,402	
Prior Year Encumbrances Appropriated	1,008,042	1,008,042	1,008,042	
<i>Net Position End of Year</i>	<u>\$3,294,017</u>	<u>\$2,335,417</u>	<u>\$2,775,538</u>	<u>\$440,121</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, 2014**

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.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, 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. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989. Following are the more significant of the Village's accounting policies.

A. Basis of Presentation

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

Government-Wide Financial Statements

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.

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

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

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

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, Street Construction Fund, Capital Projects Fund, Capital Grants 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 Street Construction Fund is used to account for expenses related to road maintenance. It is funded by intergovernmental receipts from license, gasoline excise and highway distributions. The Capital Projects Fund is used to account for capital expenditures that don't relate to grants. It is funded by transfers from the General Fund. The Capital Grants Fund accounts for road construction projects with related grants. It is funded by transfers from the General Fund along with grants from the State of Ohio. The grant funds are restricted to their particular project.

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. 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, 2014
(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, 2014
(Continued)**

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

During 2014, the Village invested in U.S. Agency Instruments, FDIC insured certificates of deposit, certificates of deposit through the CDARS program, STAR Ohio and STAR Plus. The U.S. Agency Instruments and certificates of deposit are reported at cost.

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, 2014.

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 2014 were \$12,832 which includes \$6,099 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.

J. Employer Contributions to Cost-Sharing Pension Plans

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

VILLAGE OF OTTAWA HILLS
LUCAS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)

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

K. Long-Term Obligations

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

L. Net Position

Net position is reported as restricted when there are limitations imposed on their use 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 \$780,912 for Street Construction, \$58,391 for State Highway Improvement, \$11,554 for Law Enforcement, \$29,758 for Drug Enforcement, \$100,659 for Street Lights, \$141,042 for Shade Trees, \$126,518 for Police Pension, \$272,560 for Firemen's Pension and \$453 for Unclaimed Funds.

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, 2014
(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 \$658,026 for the General Fund.

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(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
Terms of Investments:	Maximum Five (5) Years
Diversification:	May not exceed 50% of invested fund in STAR Ohio May not exceed 40% of invested funds in any one bank

VILLAGE OF OTTAWA HILLS
LUCAS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)

NOTE 4 – DEPOSITS AND INVESTMENTS - (CONTINUED)

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 shortselling 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, \$141,743 of the Village's bank balance of \$394,435 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, 2014
(Continued)**

NOTE 4 – DEPOSITS AND INVESTMENTS - (CONTINUED)

As of December 31, 2014, the Village had the following investments:

	<u>Amount</u>	<u>Maturity</u>
Federal National Mortgage Assoc. securities	\$500,000	12/27/2017
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)	599,617	8/1/2016
	499,750	3/12/2018
	399,682	6/12/2019
	<u>1,499,049</u>	
Certificates of Deposit (CDARS Program)	502,342	1/22/2015
	303,342	2/19/2015
	513,004	10/22/2015
	500,000	5/5/2016
	300,487	5/5/2016
	<u>2,119,175</u>	
Ally Bank CD	250,000	
Capital One Virginia CD	250,000	
Comenity Bank CD	100,000	
Discover Bank CD	100,000	
Discover Bank CD	100,000	
Discover Bank CD	50,000	
GE Retail Bank CD	250,000	
Goldman Sachs CD	50,000	
Goldman Sachs CD	198,000	
STAR Ohio	32,544	50.1 days
	<u><u>\$6,574,882</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.

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

NOTE 4 – DEPOSITS AND INVESTMENTS - (CONTINUED)

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.

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 taxes received in 2014 were levied after October 1, 2013, on the assessed values as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due January 31, with the remainder payable by July 31.

The full tax rate for all Village operations for the year ended December 31, 2014 was \$4.10 per \$1,000 of assessed value for inside. The assessed values of real property, public utility property upon which 2014 property tax receipts were based are as follows:

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

NOTE 6 – PROPERTY TAXES (CONTINUED)

Real Property	
Residential & Agriculture	\$147,920,460
Commercial/Industrial/Mineral	3,138,610
Public Utility Property	
Personal	1,501,480
Tangible Personal Property	
Total Assessed Value	<u>\$152,560,550</u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Village. The County Auditor periodically remits to the Village its portion of the taxes collected.

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, 2014
(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, 2014 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 2014 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, 2014, 2013 and 2012 were \$179,046, \$180,190, and \$191,338 respectively. 93 percent has been contributed for 2014 and 100 percent for 2013 and 2012.

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.

From January 1, 2014 through July 1, 2014, plan members were required to contribute 10.75 percent of their annual covered salary. From July 2, 2014 through December 31, 2014, plan members were required to contribute 11.5 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, 2014, 2013 and 2012 were \$136,090, \$129,312, and \$131,060. 92.2 percent has been contributed for 2014 and 100 percent for 2013 and 2012.

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.

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

NOTE 9 - POST EMPLOYMENT BENEFITS – (CONTINUED)

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 (ORC) 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 ORC.

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 2014, 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 2.0 percent of covered payroll during calendar year 2015. The portion of the employer contributions which was allocated to fund postemployment healthcare for members in the Combined Plan was 2.0 percent of covered payroll during calendar year 2015.

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 2014 which were used to fund post-employment benefits were \$25,816.

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.

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.

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

NOTE 9 - POST EMPLOYMENT BENEFITS – (CONTINUED)

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

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 .5% of covered payroll from January 1, 2014 thru December 31, 2014. 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 was \$3,524 for the year ended December 31, 2014, \$34,683 for the year ended December 31, 2013, and \$43,980 for the year ended December 31, 2012. For 2014, 92.2 percent has been contributed. The full amount has been contributed for 2013 and 2012.

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

NOTE 10 – DEBT

The Village's long-term debt activity for the year ended December 31, 2014, was as follows:

<u>Governmental Activities</u>	<u>Interest Rate</u>	<u>Balance December 31, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2014</u>	<u>Due Within One Year</u>
2004 OPWC Loan Original Amount \$161,358	0%	\$8,068		\$8,068		
2005 OPWC Loan Original Amount \$415,014	0%	83,002		41,501	\$41,501	\$41,501
2012 OPWC Loan CTB8M Original Amount \$24,388	0%	19,510		2,439	17,071	2,439
2012 OPWC Loan CT44N Original Amount \$90,014	0%	76,512		9,002	67,510	9,002
Total		<u>\$187,092</u>		<u>\$61,010</u>	<u>\$126,082</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 Village made the final debt payment during 2014.

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, 2014
(Continued)**

NOTE 10 – DEBT (CONTINUED)

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

<u>Debt Service Requirements</u> <u>Year ending December 31:</u>	<u>OPWC Loans</u> <u>Principal</u>
2015	\$ 52,942
2016	11,441
2017	11,441
2018	11,441
2019	11,441
2020-2022	27,376
Total	<u>\$ 126,082</u>

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2014, were an overall debt margin of \$15,892,776 and an unvoted debt margin of \$8,390,830.

NOTE 11 – INTERFUND TRANSFERS

During 2014 the following transfers were made:

Transfers from the General Fund to:	
Capital Projects Fund	\$960,000
Capital Grants Fund	120,000
Other Governmental Funds	170,000
Total Transfers	<u>\$1,250,000</u>

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 \$453,560 for the remaining year 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 cash-basis 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 years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated November 17, 2016, wherein we noted the Village uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2015-001 to be a material weakness.

Compliance and Other Matters

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

Village's Response to Findings

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

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

November 17, 2016

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014**

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

FINDING NUMBER 2015-001

Material Weakness – Financial Statement Presentation

The Village should have procedures in place to prevent or detect material misstatements for the accurate presentation of the Village’s financial statements. In addition, GASB Statement No. 54 requires fund balance be divided into one of five classifications based on the extent to which constraints are imposed upon the resources.

The Village did not accurately reflect the assigned fund balances for the General Fund at year end. Assigned fund balance classification includes amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed. When the appropriation measure is adopted for the subsequent year, if a portion of existing fund balance is included as a budgetary resource, then that portion of fund balance should be classified as assigned. This would be applicable to the General Fund only as it is the only fund with a positive unassigned fund balance.

As a result of audit procedures performed, the following errors were noted in the financial statements that required reclassifications:

Posting Error:	2015:	2014:
General Fund balance classified as Unassigned when it should be Assigned as a result of appropriations being in excess of estimated receipts.	\$457,725	\$0
Not properly classifying Restricted for Capital Projects amount on the Statement of Net Position.	\$0	(\$1,302,599)
Not properly classifying Restricted for Other Purposes amount on the Statement of Net Position.	\$0	(\$375,948)

The Fiscal Officer was not aware the General Fund amount was to be reported as assigned fund balance in the financial statements. The errors that occurred with respect to Net Position in 2014 were properly addressed in the 2015 financial statements.

As a result, the financial statements did not correctly reflect the classification of fund balance of the Village. The accompanying financial statements have been adjusted to reflect these amounts.

We recommend the Village adopt policies and procedures including a final review of the financial statements to ensure that errors and omissions are detected and corrected. In addition, the Village should also review AOS Bulletin 2011-004 for guidance on GASB Statement No. 54 requirements.

Officials’ Response:

A change was made in the way restricted funds need to be reported. We have made the correction to our system and this will not be an issue on future audits.

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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
DECEMBER 8, 2016