



Dave Yost • Auditor of State

**VILLAGE OF OTTAWA
PUTNAM COUNTY
DECEMBER 31, 2017 AND 2016**

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PUTNAM COUNTY
DECEMBER 31, 2017 AND 2016**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of Ottawa, Putnam County, Ohio (the Village), as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no such 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.

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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, business-type activities, each major fund, and the aggregate remaining fund information of the Village of Ottawa, Putnam County, Ohio, as of December 31, 2017 and 2016, and the respective changes in cash financial position and the respective budgetary comparisons for the General Fund and Income Tax Fund, thereof for the years then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2018, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

October 18, 2018

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**VILLAGE OF OTTAWA
PUTNAM COUNTY**

*Statement of Net Position - Cash Basis
December 31, 2017*

	Governmental Activities	Business - Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$5,431,765	\$2,254,989	\$7,686,754
Investments	4,590		4,590
<i>Total Assets</i>	<u>\$5,436,355</u>	<u>\$2,254,989</u>	<u>\$7,691,344</u>
Net Position			
Restricted for:			
Capital Projects	\$98,116		\$98,116
Other Purposes	575,705		575,705
Unrestricted	<u>4,762,534</u>	<u>\$2,254,989</u>	<u>7,017,523</u>
<i>Total Net Position</i>	<u>\$5,436,355</u>	<u>\$2,254,989</u>	<u>\$7,691,344</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

*Statement of Activities - Cash Basis
For the Year Ended December 31, 2017*

	Program Cash Receipts			
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Current:				
Security of Persons and Property	\$720,018	\$40,360	\$17,880	
Leisure Time Activities	95,917	880	1,000	
Community Environment	66,211	5,005		\$518,701
Transportation	163,030	662	231,232	
General Government	448,864	43,691		
Capital Outlay	1,660,091			
Debt Service:				
Principal Retirement	434,331			
Interest and Fiscal Charges	155,394			
<i>Total Governmental Activities</i>	<u>3,743,856</u>	<u>90,598</u>	<u>250,112</u>	<u>518,701</u>
Business-Type Activities				
Water Operating	1,883,451	1,770,848		
Sewer Operating	1,603,082	1,520,334		
<i>Total Business-Type Activities</i>	<u>3,486,533</u>	<u>3,291,182</u>		
Total	<u><u>\$7,230,389</u></u>	<u><u>\$3,381,780</u></u>	<u><u>\$250,112</u></u>	<u><u>\$518,701</u></u>

General Receipts

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

Total General Receipts

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

See accompanying notes to the basic financial statements.

Net (Disbursements) Receipts and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
(\$661,778)		(\$661,778)
(94,037)		(94,037)
457,495		457,495
68,864		68,864
(405,173)		(405,173)
(1,660,091)		(1,660,091)
(434,331)		(434,331)
(155,394)		(155,394)
(2,884,445)		(2,884,445)
	(\$112,603)	(112,603)
	(82,748)	(82,748)
	(195,351)	(195,351)
(2,884,445)	(195,351)	(3,079,796)
329,904		329,904
1,981,370		1,981,370
25,000		25,000
28,889		28,889
92,981		92,981
222,946		222,946
299,997	299	300,296
52,413		52,413
216,452		216,452
3,249,952	299	3,250,251
365,507	(195,052)	170,455
5,070,848	2,450,041	7,520,889
<u>\$5,436,355</u>	<u>\$2,254,989</u>	<u>\$7,691,344</u>

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

*Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
December 31, 2017*

	<u>General</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$1,827,348
Investments	<u>4,590</u>
<i>Total Assets</i>	<u><u>\$1,831,938</u></u>
 Fund Balances	
Restricted	
Committed	\$58,636
Assigned	1,190,486
Unassigned	<u>582,816</u>
<i>Total Fund Balances</i>	<u><u>\$1,831,938</u></u>

See accompanying notes to the basic financial statements.

Income Tax Fund	Other Governmental Funds	Total Governmental Funds
\$2,930,596	\$673,821	\$5,431,765 4,590
<u>\$2,930,596</u>	<u>\$673,821</u>	<u>\$5,436,355</u>
\$2,930,596	\$668,676 5,145	\$668,676 2,994,377 1,190,486 582,816
<u>\$2,930,596</u>	<u>\$673,821</u>	<u>\$5,436,355</u>

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

*Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Year Ended December 31, 2017*

	General	Income Tax Fund
Receipts		
Municipal Income Taxes		\$1,981,370
Property Taxes	\$239,479	
Other Local Taxes		
Intergovernmental	81,778	
Special Assessments		201
Charges for Services	41,472	857
Fines, Licenses and Permits	46,346	
Payments in Lieu of Taxes	3,875	
Earnings on Investments	50,425	
Miscellaneous	71,346	141,264
<i>Total Receipts</i>	<u>534,721</u>	<u>2,123,692</u>
Disbursements		
Current:		
Security of Persons and Property	129,842	517,701
Leisure Time Activities	95,917	
Community Environment	66,211	
Transportation		
General Government	190,022	256,505
Capital Outlay	39,300	760,932
Debt Service:		
Principal Retirement		412,114
Interest and Fiscal Charges		149,628
<i>Total Disbursements</i>	<u>521,292</u>	<u>2,096,880</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>13,429</u>	<u>26,812</u>
Other Financing Sources		
Sale of Notes		
Sale of Capital Assets	15,864	284,133
<i>Total Other Financing Sources</i>	<u>15,864</u>	<u>284,133</u>
<i>Net Change in Fund Balances</i>	29,293	310,945
<i>Fund Balances Beginning of Year</i>	<u>1,802,645</u>	<u>2,619,651</u>
<i>Fund Balances End of Year</i>	<u><u>\$1,831,938</u></u>	<u><u>\$2,930,596</u></u>

See accompanying notes to the basic financial statements.

Other Governmental Funds	Total Governmental Funds
	\$1,981,370
\$90,425	329,904
25,000	25,000
779,016	860,794
	201
662	42,991
1,060	47,406
25,014	28,889
1,988	52,413
4,842	217,452
<u>928,007</u>	<u>3,586,420</u>
72,475	720,018
	95,917
	66,211
163,030	163,030
2,337	448,864
859,859	1,660,091
22,217	434,331
5,766	155,394
<u>1,125,684</u>	<u>3,743,856</u>
<u>(197,677)</u>	<u>(157,436)</u>
222,946	222,946
	299,997
<u>222,946</u>	<u>522,943</u>
25,269	365,507
<u>648,552</u>	<u>5,070,848</u>
<u>\$673,821</u>	<u>\$5,436,355</u>

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2017*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property Taxes	\$234,744	\$234,744	\$239,479	\$4,735
Intergovernmental	90,150	90,150	81,778	(8,372)
Charges for Services	59,870	59,870	41,472	(18,398)
Fines, Licenses and Permits	41,020	41,020	46,346	5,326
Payments in Lieu of Taxes			3,875	3,875
Earnings on Investments	31,010	31,010	50,425	19,415
Miscellaneous	750	750	71,346	70,596
<i>Total Receipts</i>	<u>457,544</u>	<u>457,544</u>	<u>534,721</u>	<u>77,177</u>
Disbursements				
Current:				
Security of Persons and Property	178,787	178,787	143,762	35,025
Leisure Time Activities	153,081	153,081	97,459	55,622
Community Environment	294,918	294,918	73,758	221,160
Basic Utility Services	58,636	58,636		58,636
General Government	305,860	305,860	204,637	101,223
Capital Outlay	835,704	835,704	87,289	748,415
<i>Total Disbursements</i>	<u>1,826,986</u>	<u>1,826,986</u>	<u>606,905</u>	<u>1,220,081</u>
<i>Excess of Disbursements over Receipts</i>	<u>(1,369,442)</u>	<u>(1,369,442)</u>	<u>(72,184)</u>	<u>1,297,258</u>
Other Financing Sources (Uses)				
Sale of Capital Assets			15,864	15,864
Other Financing Uses	(100)	(100)		100
<i>Total Other Financing Sources (Uses)</i>	<u>(100)</u>	<u>(100)</u>	<u>15,864</u>	<u>15,964</u>
<i>Net Change in Fund Balance</i>	<u>(1,369,542)</u>	<u>(1,369,542)</u>	<u>(56,320)</u>	<u>1,313,222</u>
<i>Unencumbered Fund Balance Beginning of Year</i>	1,781,201	1,781,201	1,781,201	
Prior Year Encumbrances Appropriated	21,444	21,444	21,444	
<i>Unencumbered Fund Balance End of Year</i>	<u>\$433,103</u>	<u>\$433,103</u>	<u>\$1,746,325</u>	<u>\$1,313,222</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Income Tax Fund*

For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Municipal Income Taxes	\$1,835,001	\$1,835,001	\$1,981,370	\$146,369
Special Assessments			201	201
Charges for Services	88,500	88,500	857	(87,643)
Miscellaneous			141,264	141,264
<i>Total Receipts</i>	1,923,501	1,923,501	2,123,692	200,191
Disbursements				
Current:				
Security of Persons and Property	659,855	659,855	523,246	136,609
General Government	394,991	394,991	257,801	137,190
Capital Outlay	2,920,183	2,920,183	1,473,417	1,446,766
Debt Service:				
Principal Retirement	412,610	412,610	412,114	496
Interest and Fiscal Charges	151,188	151,188	149,628	1,560
<i>Total Disbursements</i>	4,538,827	4,538,827	2,816,206	1,722,621
<i>Excess of Disbursements Over Receipts</i>	(2,615,326)	(2,615,326)	(692,514)	1,922,812
Other Financing Sources				
Sale of Capital Assets			284,133	284,133
<i>Net Change in Fund Balance</i>	(2,615,326)	(2,615,326)	(408,381)	2,206,945
<i>Unencumbered Fund Balance Beginning of Year</i>	2,421,591	2,421,591	2,421,591	
Prior Year Encumbrances Appropriated	198,060	198,060	198,060	
<i>Unencumbered Fund Balance End of Year</i>	\$4,325	\$4,325	\$2,211,270	\$2,206,945

See accompanying notes to the basic financial statements.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

*Statement of Fund Net Position - Cash Basis
Proprietary Funds
December 31, 2017*

	Business-Type Activities			Total Enterprise Funds
	Water Operating Fund	Sewer Operating Fund	Other Enterprise Fund	
Assets				
Equity in Pooled Cash and Cash Equivalents	<u>\$960,701</u>	<u>\$979,391</u>	<u>\$314,897</u>	<u>\$2,254,989</u>
Net Position				
Unrestricted	<u>\$960,701</u>	<u>\$979,391</u>	<u>\$314,897</u>	<u>\$2,254,989</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

*Statement of Receipts, Disbursements and Changes in Fund Net Position - Cash Basis
Proprietary Funds
For the Year Ended December 31, 2017*

	Business-Type Activities			Total Enterprise Funds
	Water Operating Fund	Sewer Operating Fund	Other Enterprise Fund	
Operating Receipts				
Charges for Services	\$1,738,863	\$1,460,025		\$3,198,888
Operating Disbursements				
Personal Services	368,635	340,024		708,659
Employee Fringe Benefits	188,308	181,278		369,586
Contractual Services	299,995	279,173		579,168
Supplies and Materials	248,389	140,265		388,654
Other	20,891			20,891
<i>Total Operating Disbursements</i>	1,126,218	940,740		2,066,958
<i>Operating Income</i>	612,645	519,285		1,131,930
Non-Operating Receipts (Disbursements)				
Special Assessments	31,985	60,309		92,294
Sale of Capital Assets	299			299
Capital Outlay	(403,004)	(172,134)		(575,138)
Principal Retirement	(260,098)	(448,640)		(708,738)
Interest and Other Fiscal Charges	(82,534)	(41,568)		(124,102)
Other Financing Uses	(11,597)			(11,597)
<i>Total Non-Operating Receipts (Disbursements)</i>	(724,949)	(602,033)		(1,326,982)
<i>Change in Net Position</i>	(112,304)	(82,748)		(195,052)
<i>Net Position Beginning of Year</i>	1,073,005	1,062,139	\$314,897	2,450,041
<i>Net Position End of Year</i>	\$960,701	\$979,391	\$314,897	\$2,254,989

See accompanying notes to the basic financial statements.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 1 – REPORTING ENTITY

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

Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The primary government of the Village of Ottawa provides the following services to its citizens: police and fire protection, parks and recreation, street maintenance and repairs, general government services, and water and sewer utilities.

Public Entity Risk Pools

The Village participates in a public entity risk pool. Note 6 to the financial statements provides additional information for this pool. 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 "Basis of Accounting" section of this note, 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. Following are the more significant of the Village's accounting policies.

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 primary government. The statements distinguish between those activities of the Village that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

comparison of direct disbursements with program receipts identifies the extent to which each governmental program or business activity is self-financing on a cash basis or draws from the general receipts of the Village.

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

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

Fund Accounting

The Village uses funds 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. The funds of the Village are divided into two categories, governmental and proprietary.

Governmental Funds Governmental funds are those through which most governmental functions of the Village are financed. The following are the Village's major governmental funds:

General The general fund accounts for and reports all financial resources not accounted for and reported 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.

Income Tax Fund The Income Tax fund is a special revenue fund used primarily to fund capital improvements. Its use is committed by Village ordinance.

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

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

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

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

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

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

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

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

Budgetary Process

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

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk-Treasurer. 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.

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 at the time of sale are recorded as receipts.

During 2017, the Village invested in nonnegotiable certificates of deposit, savings accounts, money market funds, and STAR Ohio. Investments are reported at cost, except for STAR Ohio.

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STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The Village measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

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 2017 was \$50,425, which includes \$32,983 assigned from other Village funds.

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

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.

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.

Interfund Receivables/Payables

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

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.

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 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Long-Term Obligations

The Village's cash basis financial statements do not report liabilities for bonds and 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 is reported at inception. Lease payments are reported when paid.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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Net Position

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

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

Fund Balance

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

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

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

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

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution, as both are equally binding) 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, as both are equally binding) 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 the Village Council or a Village official delegated that authority by resolution or by State Statute. State Statute authorizes the

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Village Clerk-Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

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.

Internal Activity

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

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

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

NOTE 3 – BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund and Income Tax Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis).

Adjustments necessary to convert the results of operations at the end of the year on the budget basis to the cash basis are as follows:

Net Change in Fund Cash Balance		
	General Fund	Income Tax Fund
Cash Basis	\$29,293	\$310,945
Adjustment for Encumbrances	(85,613)	(719,326)
Budget Basis	(\$56,320)	(\$408,381)

NOTE 4 – DEPOSITS AND INVESTMENTS

State statutes classify monies held by the Village into three categories.

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

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

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

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

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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.

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Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$2,667,957 of the Village's bank balance of \$6,702,556 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the Village to a successful claim by the Federal Deposit Insurance Corporation.

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 the Village and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least one hundred five percent of the deposits being secured; or
- Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

The Village has financial institutions in the process of joining OPCS; however, at December 31, 2017, the financial institutions still maintained their own 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 105 percent of the deposits being secured.

Investments

As of December 31, 2017, the Village had \$1,016,069 in STAR Ohio.

Credit Risk

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

NOTE 5 – TAXES

Property taxes include amounts levied against all real and public utility property located in the Village. Property tax revenue received during 2017 for real and public utility property taxes represents collections of 2016 taxes.

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2017 real property taxes are levied after October 1, 2017, on the assessed value as of January 1, 2017, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2017 real property taxes are collected in and intended to finance 2018.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2017 public utility property taxes which became a lien December 31, 2016, are levied after October 1, 2017, and are collected in 2018 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2017, was \$4.00 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2017 property tax receipts were based are as follows:

Real Property	
Residential	\$66,481,800
Agriculture	711,610
Commercial/Industrial/Mineral	22,590,820
Public Utility Property	
Real	21,240
Personal	4,615,440
Total Assessed Value	<u>\$94,420,910</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.

Income Taxes

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

NOTE 6 – RISK MANAGEMENT

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

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

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

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Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2017, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017.

	<u>2017</u>
Assets	\$44,452,326
Liabilities	(13,004,011)
Net Position	\$31,448,315

At December 31, 2017 the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Village's share of these unpaid claims collectible in future years is approximately \$56,000.

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

<u>2017 Contributions to PEP</u> \$89,450

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

NOTE 7 – DEFINED BENEFIT PENSION PLANS

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description – Village employees, other than full-time police, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Village

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employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

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

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

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

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:

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	State and Local
2017 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
 2017 Actual Contribution Rates	
Employer:	
Pension	13.0 %
Post-employment Health Care Benefits	1.0
Total Employer	14.0 %
 Employee	 10.0 %

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

The Village's contractually required contribution was \$121,832 for year 2017.

Plan Description – Ohio Police & Fire Pension Fund (OPF)

Plan Description – Village full-time police participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at www.opf.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 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 (see OPF CAFR referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits):

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.

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The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit, surviving beneficiaries, and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will receive a COLA equal to a percentage of the member's base pension benefit where the percentage is the lesser of three percent or the percentage increase in the consumer price index, if any, over the 12 month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

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

	Police
2017 Statutory Maximum Contribution Rates	
Employer	19.50 %
Employee	12.25 %
 2017 Actual Contribution Rates	
Employer:	
Pension	19.00 %
Post-employment Health Care Benefits	0.50
Total Employer	19.50 %
 Employee	 12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The Village's contractually required contribution to OPF was \$60,475 for 2017.

Social Security

Several Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participant.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

NOTE 8 – POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

Plan Description – The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate all health care assets into the OPERS 115 Health Care Trust. Transition to the new health care trust structure was completed July 1, 2016. OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple

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health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage. OPERS funds a Retiree Medical Account (RMA) for participants in the Member-Directed Plan. At retirement or refund, participants can be reimbursed for qualified medical expenses from their vested RMA balance.

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

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

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

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2017, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2017 was 4.0 percent.

Substantially all of the Village's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2017, 2016, and 2015 was \$9,372, \$19,089, and \$18,894, respectively. The full amount has been contributed for all three years.

Ohio Police and Fire Pension Fund

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

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FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

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

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

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contributions allocated to health care was 0.5 percent of covered payroll from January 1, 2017 thru December 31, 2017. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The Village's contribution to OPF for the years ended December 31, 2017, 2016, and 2015 were \$62,067, \$60,271, and \$58,968, respectively, of which \$1,591, \$1,545, and \$1,512, respectively, was allocated to the healthcare plan. The full amount has been contributed for all three years.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

NOTE 9 – DEBT

The Village's long-term debt activity for the year ended December 31, 2017 was as follows:

	Interest Rate	Balance December 31, 2016	Additions	Reductions	Balance December 31, 2017	Due Within One Year
<u>Governmental Activities</u>						
General Obligation Bonds 2011	2.0-4.5%	\$2,180,000		\$180,000	\$2,000,000	\$200,000
General Obligation Bonds 2014		1,670,000		165,000	1,505,000	170,000
Promissory Note (Fire Truck)		438,950		51,038	387,912	52,602
State Infrastructure Bank Loan (Williamstown Road)	0-3%	143,071		16,076	126,995	16,563
State Infrastructure Bank Loan (Putnam Parkway)	0-3%	197,724		22,217	175,507	22,889
State Infrastructure Bank Loan (Villa Drive)	0-3%	66,946	\$222,946		289,892	
Total Governmental Activities		\$4,696,691	\$222,946	\$434,331	\$4,485,306	\$462,054

	Interest Rate	Balance December 31, 2016	Additions	Reductions	Balance December 31, 2017	Due Within One Year
<u>Business-type Activities</u>						
OPWC Loan – Pohl Sewer	0%	\$189,120		\$17,192	\$171,928	\$17,193
OPWC Loan – West Ottawa Pump	0%	311,030		16,370	294,660	16,370
OPWC Loan – Street Pump	0%	100,849		5,762	95,087	5,763
OWDA Loan #2447 (WWTP)	4.12%	1,108,291		354,470	753,821	369,225
OWDA Loan #6643 (Lime Sludge)	0%	74,065		8,627	65,438	8,800
OWDA Loan #6065 (Waterline/Meters)	2.0%	950,644		50,963	899,681	51,987
OWDA Loan #3790 (WTP)	3.15%	594,613		71,463	523,150	73,732
OWDA Loan #4380 (Pohl Water)	2.75%	443,678		39,116	404,562	40,199
OWDA Loan #4381 (Pohl Sewer)	2.75%	318,975		28,122	290,853	28,900
OWDA Loan #4570 (Tank)	2.84%	259,384		21,528	237,856	22,144
OWDA Loan #4783 (Bluffton)	2.75%	958,116		68,401	889,715	70,296
OWDA Loan #6858 (WWTP Screening Facility)	2.28%	96,389		26,724	69,665	27,336
Total Business-type Activities		\$5,405,154		\$708,738	\$4,696,416	\$731,945

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

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

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

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

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

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

The Ohio Public Works Commission 0% loans relate to a street pump and sanitary sewer extension, West Ottawa pump station, and Pohl Road sewer extension. The street pump loan will be repaid in semiannual installments of \$2,881 over 20 years. Sewer revenues are the dedicated source of repayment for this loan. The West Ottawa pump station loan will be paid in semiannual installments of \$8,185 over 20 years. Sewer revenues are the dedicated source of repayment for this loan. The Pohl Road sewer extension loan will be repaid in semiannual installments of \$8,596 over 20 years. Sewer revenues are the dedicated source of repayment for this loan.

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

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

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

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

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

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

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

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

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

The OWDA loan #6858 is for design of a screening facility at the wastewater treatment plant. During 2017, the loan was not complete and therefore the entire loan amount had not been utilized. As of December 31, 2017, the Village had loan proceeds of \$14,235 available that the Village had not drawn from OWDA but were included in the amortization table below. This loan will be repaid in semiannual installments over 5 years and will be repaid with sewer receipts.

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

Year	G.O. Bonds		OWDA Loans	
	Principal	Interest	Principal	Interest
2018	\$370,000	\$121,695	\$692,619	\$111,434
2019	380,000	109,632	716,671	88,010
2020	395,000	96,224	340,997	67,806
2021	405,000	82,247	320,903	59,296
2022	410,000	69,026	329,650	50,550
2023 – 2027	1,545,000	136,719	1,325,584	129,373
2028 – 2032			422,552	20,341
2033 -- 2037				
Totals	<u>\$3,505,000</u>	<u>\$615,543</u>	<u>\$4,148,976</u>	<u>\$526,810</u>

Year	Promissory Note		OPWC Loans	State Bank Loans	
	Principal	Interest		Principal	Interest
2018	\$52,602	\$11,074	\$39,326	\$39,452	\$8,781
2019	54,224	9,452	39,326	73,219	16,297
2020	55,872	7,803	39,325	75,431	14,054
2021	57,620	6,056	39,326	77,711	11,744
2022	59,397	4,279	39,326	80,060	9,364
2023 – 2027	108,197	3,155	196,629	246,521	14,374
2028 – 2032			110,663		
2033 – 2037			57,754		
Totals	<u>\$387,912</u>	<u>\$41,819</u>	<u>\$561,675</u>	<u>\$592,394</u>	<u>\$74,614</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, 2017, were an overall debt margin of \$6,409,196 and an unvoted debt margin of \$1,688,150.

NOTE 10 – LEASE

The Village entered a lease-purchase agreement on September 15, 2014 with Key Government Finance for a sewer camera system valued at \$172,090. The Village disbursed \$26,652 to pay lease costs for the year ended December 31, 2017.

The Village entered a lease-purchase agreement on September 15, 2015 with Key Government Finance for a street sweeper valued at \$240,809. The Village disbursed \$50,954 to pay lease costs for the year ended December 31, 2017.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

The Village entered a lease-purchase agreement on September 1, 2015 with Caterpillar Financial Services Corporation for a wheel loader valued at \$150,502. The Village disbursed \$30,857 to pay lease costs for the year ended December 31, 2017.

Future lease payments including interest are as follows:

<u>Year</u>	<u>Amount</u>
2018	\$111,649
2019	77,605
Totals	<u>\$189,254</u>

NOTE 11 – CONSTRUCTION AND CONTRACTUAL COMMITMENTS

<u>Vendor/Project</u>	<u>Contract Amount</u>	<u>Balance Outstanding 12/31/17</u>
Utility Services Install TRS System (Annual Maintenance Program)	\$120,841	\$120,841
Putnam County YMCA Donation (14 th year of 15-year Commitment)	\$1,500,000	\$163,097
Miller Pipeline (Sanitary Sewer Pipeline Rehabilitation)	\$142,800	\$142,800
Chemco Systems, L.P. (Lime Slaker for WTP)	\$171,971	\$171,971
Ward Construction (Street Projects 2017)	\$700,000	\$413,312

NOTE 12 – CONTINGENT LIABILITIES

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

NOTE 13 – FUND BALANCES

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

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

	General Fund	Income Tax Fund	Other Governmental Funds	Total Governmental Funds
Restricted for:				
Road Improvement			\$328,018	\$328,018
Disaster			98,116	98,116
Drug & Alcohol Enforcement			5,911	5,911
Economic Development			22,112	22,112
Police Operations			5,805	5,805
Fire Operations			208,714	208,714
Total Restricted			668,676	668,676
Committed for:				
General Govt	\$58,636	\$1,297		59,933
Capital Outlay		712,485		712,485
Disaster Relief			5,145	5,145
General		2,211,270		2,211,270
Police		5,544		5,544
Total Committed	58,636	2,930,596	5,145	2,994,377
Assigned for:				
General Govt	24,284			24,284
Community	6,547			6,547
Recreation	1,543			1,543
Fire Operations	4,250			4,250
Economic Development	1,000			1,000
Capital Outlay	47,990			47,990
Subsequent Year Budget	1,104,872			1,104,872
Total Assigned	1,190,486			1,190,486
Unassigned	582,816			582,816
Total Fund Balance	\$1,831,938	\$2,930,596	\$673,821	\$5,436,355

NOTE 14 – MISCELLANEOUS RECEIPTS

Miscellaneous receipts in the General Fund consisted of donations and building rent. Miscellaneous revenue in the Income Tax Fund consisted of farm rent and lease payments from the Putnam County Educational Service Center.

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**VILLAGE OF OTTAWA
PUTNAM COUNTY**

*Statement of Net Position - Cash Basis
December 31, 2016*

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$5,059,325	\$2,450,041	\$7,509,366
Investments	11,523		11,523
<i>Total Assets</i>	<u>\$5,070,848</u>	<u>\$2,450,041</u>	<u>\$7,520,889</u>
Net Position			
Restricted for:			
Capital Projects	\$154,939		\$154,939
Other Purposes	493,613		493,613
Unrestricted	<u>4,422,296</u>	<u>\$2,450,041</u>	<u>6,872,337</u>
<i>Total Net Position</i>	<u>\$5,070,848</u>	<u>\$2,450,041</u>	<u>\$7,520,889</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

*Statement of Activities - Cash Basis
For the Year Ended December 31, 2016*

	Program Cash Receipts			
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Current:				
Security of Persons and Property	\$752,421	\$23,214	\$880	
Leisure Time Activities	100,817	900	1,000	\$580
Community Environment	79,643	4,368		855,292
Basic Utility Services	6,122			15,142
Transportation	194,133	410	225,267	
General Government	466,614	41,954		
Capital Outlay	1,910,072			
Debt Service:				
Principal Retirement	399,590			
Interest and Fiscal Charges	157,733			
<i>Total Governmental Activities</i>	<u>4,067,145</u>	<u>70,846</u>	<u>227,147</u>	<u>871,014</u>
Business-Type Activities				
Water Operating	1,841,373	1,788,460		
Sewer Operating	1,623,786	1,584,675		5,750
<i>Total Business-Type Activities</i>	<u>3,465,159</u>	<u>3,373,135</u>		<u>5,750</u>
Total	<u><u>\$7,532,304</u></u>	<u><u>\$3,443,981</u></u>	<u><u>\$227,147</u></u>	<u><u>\$876,764</u></u>

General Receipts

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

Total General Receipts

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

See accompanying notes to the basic financial statements.

Net (Disbursements) Receipts and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
(\$728,327)		(\$728,327)
(98,337)		(98,337)
780,017		780,017
9,020		9,020
31,544		31,544
(424,660)		(424,660)
(1,910,072)		(1,910,072)
(399,590)		(399,590)
(157,733)		(157,733)
<u>(2,898,138)</u>		<u>(2,898,138)</u>
	(\$52,913)	(52,913)
	(33,361)	(33,361)
	(86,274)	(86,274)
<u>(2,898,138)</u>	<u>(86,274)</u>	<u>(2,984,412)</u>
324,944		324,944
1,920,465		1,920,465
25,000		25,000
23,237		23,237
98,567		98,567
76,872		76,872
402,421	248	402,669
32,263		32,263
112,818	1,469	114,287
<u>3,016,587</u>	<u>1,717</u>	<u>3,018,304</u>
118,449	(84,557)	33,892
<u>4,952,399</u>	<u>2,534,598</u>	<u>7,486,997</u>
<u>\$5,070,848</u>	<u>\$2,450,041</u>	<u>\$7,520,889</u>

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

*Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
December 31, 2016*

	<u>General</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$1,796,266
Investments	<u>6,379</u>
<i>Total Assets</i>	<u><u>\$1,802,645</u></u>
 Fund Balances	
Restricted	
Committed	\$67,025
Assigned	1,161,195
Unassigned	<u>574,425</u>
<i>Total Fund Balances</i>	<u><u>\$1,802,645</u></u>

See accompanying notes to the basic financial statements.

Income Tax Fund	HMGP-DR-40 02.10R-08 Fund	Other Governmental Funds	Total Governmental Funds
\$2,619,651	\$8,271	\$635,137 5,144	\$5,059,325 11,523
<u>\$2,619,651</u>	<u>\$8,271</u>	<u>\$640,281</u>	<u>\$5,070,848</u>
\$2,619,651	\$8,271	\$635,137 5,144	\$643,408 2,691,820 1,161,195 574,425
<u>\$2,619,651</u>	<u>\$8,271</u>	<u>\$640,281</u>	<u>\$5,070,848</u>

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

*Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Year Ended December 31, 2016*

	General	Income Tax Fund	HMGP-DR-40 02.10R-08 Fund
Receipts			
Municipal Income Taxes		\$1,920,465	
Property Taxes	\$235,905		
Other Local Taxes			
Intergovernmental	87,258		\$522,581
Charges for Services	25,663	286	
Fines, Licenses and Permits	44,023		
Payments in Lieu of Taxes	1,084		
Earnings on Investments	31,099		
Miscellaneous	48,682	65,716	
<i>Total Receipts</i>	<u>473,714</u>	<u>1,986,467</u>	<u>522,581</u>
Disbursements			
Current:			
Security of Persons and Property	147,475	533,929	
Leisure Time Activities	100,817		
Community Environment	61,608		
Basic Utility Services			
Transportation			
General Government	212,950	251,304	
Capital Outlay	4,199	748,267	514,571
Debt Service:			
Principal Retirement		399,590	
Interest and Fiscal Charges		157,733	
<i>Total Disbursements</i>	<u>527,049</u>	<u>2,090,823</u>	<u>514,571</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(53,335)</u>	<u>(104,356)</u>	<u>8,010</u>
Other Financing Sources			
Sale of Notes			
Sale of Capital Assets	3,478	398,943	
<i>Total Other Financing Sources</i>	<u>3,478</u>	<u>398,943</u>	
<i>Net Change in Fund Balances</i>	(49,857)	294,587	8,010
<i>Fund Balances Beginning of Year</i>	<u>1,852,502</u>	<u>2,325,064</u>	<u>261</u>
<i>Fund Balances End of Year</i>	<u>\$1,802,645</u>	<u>\$2,619,651</u>	<u>\$8,271</u>

See accompanying notes to the basic financial statements.

Other Governmental Funds	Total Governmental Funds
	\$1,920,465
\$89,039	324,944
25,000	25,000
585,309	1,195,148
410	26,359
464	44,487
22,153	23,237
1,164	32,263
	114,398
<u>723,539</u>	<u>3,706,301</u>
71,017	752,421
	100,817
18,035	79,643
6,122	6,122
194,133	194,133
2,360	466,614
643,035	1,910,072
	399,590
	157,733
<u>934,702</u>	<u>4,067,145</u>
<u>(211,163)</u>	<u>(360,844)</u>
76,872	76,872
	402,421
<u>76,872</u>	<u>479,293</u>
(134,291)	118,449
<u>774,572</u>	<u>4,952,399</u>
<u>\$640,281</u>	<u>\$5,070,848</u>

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2016*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property Taxes	\$229,576	\$229,576	\$235,905	\$6,329
Intergovernmental	96,558	96,558	87,258	(9,300)
Charges for Services	57,750	57,750	25,663	(32,087)
Fines, Licenses and Permits	39,920	39,920	44,023	4,103
Payments in Lieu of Taxes			1,084	1,084
Earnings on Investments	21,010	21,010	31,099	10,089
Miscellaneous	2,750	2,750	48,682	45,932
<i>Total Receipts</i>	<u>447,564</u>	<u>447,564</u>	<u>473,714</u>	<u>26,150</u>
Disbursements				
Current:				
Security of Persons and Property	258,388	258,388	152,990	105,398
Leisure Time Activities	147,092	147,092	100,951	46,141
Community Environment	273,437	273,437	68,281	205,156
General Government	276,232	283,232	221,678	61,554
Capital Outlay	914,483	907,483	4,593	902,890
<i>Total Disbursements</i>	<u>1,869,632</u>	<u>1,869,632</u>	<u>548,493</u>	<u>1,321,139</u>
<i>Excess of Disbursements over Receipts</i>	<u>(1,422,068)</u>	<u>(1,422,068)</u>	<u>(74,779)</u>	<u>1,347,289</u>
Other Financing Sources (Uses)				
Sale of Capital Assets			3,478	3,478
Other Financing Uses	(100)	(100)		100
<i>Total Other Financing Sources (Uses)</i>	<u>(100)</u>	<u>(100)</u>	<u>3,478</u>	<u>3,578</u>
<i>Net Change in Fund Balance</i>	(1,422,168)	(1,422,168)	(71,301)	1,350,867
<i>Unencumbered Fund Balance Beginning of Year</i>	1,831,695	1,831,695	1,831,695	
Prior Year Encumbrances Appropriated	20,807	20,807	20,807	
<i>Unencumbered Fund Balance End of Year</i>	<u>\$430,334</u>	<u>\$430,334</u>	<u>\$1,781,201</u>	<u>\$1,350,867</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Income Tax Fund*

For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Municipal Income Taxes	\$1,679,999	\$1,679,999	\$1,920,465	\$240,466
Charges for Services	88,500	88,500	286	(88,214)
Miscellaneous			65,716	65,716
<i>Total Receipts</i>	<u>1,768,499</u>	<u>1,768,499</u>	<u>1,986,467</u>	<u>217,968</u>
Disbursements				
Current:				
Security of Persons and Property	620,136	620,136	540,141	79,995
General Government	400,836	400,836	256,157	144,679
Capital Outlay	2,480,370	2,480,370	935,262	1,545,108
Debt Service:				
Principal Retirement	414,782	414,635	399,590	15,045
Interest and Fiscal Charges	157,637	157,784	157,733	51
<i>Total Disbursements</i>	<u>4,073,761</u>	<u>4,073,761</u>	<u>2,288,883</u>	<u>1,784,878</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(2,305,262)</u>	<u>(2,305,262)</u>	<u>(302,416)</u>	<u>2,002,846</u>
Other Financing Sources				
Sale of Capital Assets			398,943	398,943
<i>Net Change in Fund Balance</i>	(2,305,262)	(2,305,262)	96,527	2,401,789
<i>Unencumbered Fund Balance Beginning of Year</i>	2,094,798	2,094,798	2,094,798	
Prior Year Encumbrances Appropriated	230,266	230,266	230,266	
<i>Unencumbered Fund Balance End of Year</i>	<u>\$19,802</u>	<u>\$19,802</u>	<u>\$2,421,591</u>	<u>\$2,401,789</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

*Statement of Fund Net Position - Cash Basis
Proprietary Funds
December 31, 2016*

	Business-Type Activities			Total Enterprise Funds
	Water Operating Fund	Sewer Operating Fund	Other Enterprise Fund	
Assets				
Equity in Pooled Cash and Cash Equivalents	<u>\$1,073,005</u>	<u>\$1,062,139</u>	<u>\$314,897</u>	<u>\$2,450,041</u>
Net Position				
Unrestricted	<u>\$1,073,005</u>	<u>\$1,062,139</u>	<u>\$314,897</u>	<u>\$2,450,041</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

*Statement of Receipts, Disbursements and Changes in Fund Net Position - Cash Basis
Proprietary Funds
For the Year Ended December 31, 2016*

	Business-Type Activities			Total Enterprise Funds
	Water Operating Fund	Sewer Operating Fund	Other Enterprise Fund	
Operating Receipts				
Charges for Services	\$1,752,201	\$1,540,672		\$3,292,873
Miscellaneous	1,469			1,469
<i>Total Operating Receipts</i>	<u>1,753,670</u>	<u>1,540,672</u>		<u>3,294,342</u>
Operating Disbursements				
Personal Services	370,999	323,382		694,381
Employee Fringe Benefits	215,546	209,416		424,962
Contractual Services	237,897	284,589		522,486
Supplies and Materials	208,817	107,508		316,325
Other	22,203			22,203
<i>Total Operating Disbursements</i>	<u>1,055,462</u>	<u>924,895</u>		<u>1,980,357</u>
<i>Operating Income</i>	<u>698,208</u>	<u>615,777</u>		<u>1,313,985</u>
Non-Operating Receipts (Disbursements)				
Intergovernmental Revenues		5,750		5,750
Special Assessments	36,259	44,003		80,262
Sale of Capital Assets	248			248
Capital Outlay	(443,385)	(212,534)		(655,919)
Principal Retirement	(253,229)	(433,118)		(686,347)
Interest and Other Fiscal Charges	(89,297)	(53,239)		(142,536)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(749,404)</u>	<u>(649,138)</u>		<u>(1,398,542)</u>
<i>Change in Net Position</i>	(51,196)	(33,361)		(84,557)
<i>Net Position Beginning of Year</i>	<u>1,124,201</u>	<u>1,095,500</u>	<u>\$314,897</u>	<u>2,534,598</u>
<i>Net Position End of Year</i>	<u>\$1,073,005</u>	<u>\$1,062,139</u>	<u>\$314,897</u>	<u>\$2,450,041</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 1 – REPORTING ENTITY

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

Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The primary government of the Village of Ottawa provides the following services to its citizens: police and fire protection, parks and recreation, street maintenance and repairs, general government services, and water and sewer utilities.

Public Entity Risk Pools

The Village participates in a public entity risk pool. Note 6 to the financial statements provides additional information for this pool. 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 "Basis of Accounting" section of this note, 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. Following are the more significant of the Village's accounting policies.

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 primary government. The statements distinguish between those activities of the Village that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net position presents the cash balance, of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each program or function of the Village's governmental activities and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants required to be used to support 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 program or business activity is self-financing on a cash basis or draws from the general receipts of the Village.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

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

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

Fund Accounting

The Village uses funds 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. The funds of the Village are divided into two categories, governmental and proprietary.

Governmental Funds Governmental funds are those through which most governmental functions of the Village are financed. The following are the Village's major governmental funds:

General The general fund accounts for and reports all financial resources not accounted for and reported 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.

Income Tax Fund The Income Tax Fund is a special revenue fund used primarily to fund capital improvements. Its use is restricted by Village ordinance.

HMGP-DR-4002.10R-08 Fund The HMGP-DR-4002.10R-08 Fund is a capital project fund established for the receipt and disbursement of grant and loan monies.

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

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

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

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

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

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Basis of Accounting

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

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

Budgetary Process

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

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk-Treasurer. 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.

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.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

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

During 2016, the Village invested in nonnegotiable certificates of deposit, savings accounts, money market funds, and STAR Ohio. Investments are reported at cost, except for STAR Ohio.

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The Village measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

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 2016 was \$31,099, which includes \$19,758 assigned from other Village funds.

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

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.

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.

Interfund Receivables/Payables

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

Accumulated Leave

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

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

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 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Long-Term Obligations

The Village's cash basis financial statements do not report liabilities for bonds and 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 is reported at inception. Lease payments are reported when paid.

Net Position

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

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

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
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(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, as both are equally binding) 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, as both are equally binding) 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 the Village Council or a Village official delegated that authority by resolution or by State Statute. State Statute authorizes the Village Clerk-Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

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.

Internal Activity

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

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

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

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

NOTE 3 – BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund and Income Tax Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis).

Adjustments necessary to convert the results of operations at the end of the year on the budget basis to the cash basis are as follows:

Net Change in Fund Cash Balance		
	General Fund	Income Tax Fund
Cash Basis	(\$49,857)	\$294,587
Adjustment for Encumbrances	(21,444)	(198,060)
Budget Basis	(\$71,301)	\$96,527

NOTE 4 – DEPOSITS AND INVESTMENTS

State statutes classify monies held by the Village into three categories.

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

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

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

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

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$2,878,895 of the Village's bank balance of \$6,562,993 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 pledge to secure the repayment

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

of all public monies deposited in the financial institution whose market value at all times shall be at least on hundred five percent of the deposits being secured.

Investments

As of December 31, 2016, the Village had \$977,441 in STAR Ohio.

Credit Risk

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

NOTE 5 – TAXES

Property taxes include amounts levied against all real and public utility property located in the Village. Property tax revenue received during 2016 for real and public utility property taxes represents collections of 2015 taxes.

2016 real property taxes are levied after October 1, 2016, on the assessed value as of January 1, 2017, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2016 real property taxes are collected in and intended to finance 2017.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2016 public utility property taxes which became a lien December 31, 2015, are levied after October 1, 2016, and are collected in 2017 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2016, was \$4.00 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2016 property tax receipts were based are as follows:

Real Property	
Residential	\$64,810,580
Agriculture	1,102,040
Commercial/Industrial/Mineral	21,492,670
Public Utility Property	
Real	21,250
Personal	4,205,760
Total Assessed Value	<u><u>\$91,632,300</u></u>

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

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.

Income Taxes

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

NOTE 6 – RISK MANAGEMENT

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

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

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2016, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016.

	<u>2016</u>
Assets	\$42,182,281
Liabilities	<u>(13,396,700)</u>
Net Position	<u>\$28,785,581</u>

At December 31, 2016 the liabilities above include approximately 12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The

VILLAGE OF OTTAWA
PUTNAM COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)

Pool's membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Village's share of these unpaid claims collectible in future years is approximately \$55,000.

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

2016 Contributions to PEP
\$ 87,357

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

NOTE 7 – DEFINED BENEFIT PENSION PLANS

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

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

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>
2016 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee:	10.0 %
2016 Actual Contribution Rates	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	2.0 %
Total Employer	<u>14.0 %</u>
Employee:	<u>10.0 %</u>

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

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

The Village's contractually required contribution was \$114,534 for year 2016.

Plan Description – Ohio Police & Fire Pension Fund (OPF)

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

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

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before 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 (see OPF CAFR referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits):

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, surviving beneficiaries, and statutory survivors.

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

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

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

	Police
2016 Statutory Maximum Contribution Rates	
Employer	19.50 %
Employee	12.25 %
 2016 Actual Contribution Rates	
Employer:	
Pension	19.00 %
Post-employment Health Care Benefits	0.50
Total Employer	19.50 %
 Employee	 12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The Village's contractually required contribution to OPF was \$58,725 for 2016.

Social Security

Several Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participant.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

NOTE 8 – POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

Plan Description – The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains two cost-sharing multiple-employer defined benefit post-employment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for postemployment health care coverage, age and service retirees under the Traditional pension and Combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Employment Benefit (OPEB) as described in GASB Statement 45. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not mandate, OPERS to provide health care to its eligible benefit recipients. 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/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

OPERS maintains three health care trusts. The two cost-sharing, multiple-employer trusts, the 401(h)Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016 as recommended by OPERS' actuary. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for 2016 was 4.0 percent.

Substantially all of the Village's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2016, 2015, and 2014 was \$19,089, \$18,894, and \$18,291, respectively. The full amount has been contributed for all three years.

Ohio Police and Fire Pension Fund

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

OPF provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

child of such person. The health care coverage provided by OPF meets the definition of an Other Post Employment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 45.

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

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contributions allocated to health care was 0.5 percent of covered payroll from January 1, 2016 thru December 31, 2016. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The Village's contribution to OPF for the years ended December 31, 2016, 2015, and 2014 were \$60,271, \$58,968 and \$57,288, respectively, of which \$1,545, \$1,512, and \$1,469, respectively, was allocated to the healthcare plan. The full amount has been contributed for all three years.

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

NOTE 9 – DEBT

The Village's long-term debt activity for the year ended December 31, 2016 was as follows:

	Interest Rate	Balance December 31, 2015	Additions	Reductions	Balance December 31, 2016	Due Within One Year
<u>Governmental Activities</u>						
General Obligation Bonds 2011	2.0-4.5%	\$2,355,000		\$175,000	\$2,180,000	\$180,000
General Obligation Bonds 2014		1,830,000		160,000	1,670,000	165,000
Promissory Note (Fire Truck)		488,504		49,554	438,950	51,038
State Infrastructure Bank Loan (Williamstown Road)	0-3%	138,904	\$4,167		143,071	16,076
State Infrastructure Bank Loan (Putnam Parkway)	0-3%	191,965	5,759		197,724	22,217
State Infrastructure Bank Loan (Villa Drive)	0-3%		66,946		66,946	
OPWC Loan - Storm Sewer	0%	15,036		15,036		
Total Governmental Activities		\$5,019,409	\$76,872	\$399,590	\$4,696,691	\$434,331
<u>Business-type Activities</u>						
OPWC Loan – Pohl Sewer	0%	\$206,312		\$17,192	\$189,120	\$17,192
OPWC Loan- West Ottawa Pump	0%	327,400		16,370	311,030	16,370
OPWC Loan – Street Pump	0%	106,611		5,762	100,849	5,762
OWDA Loan #2447 (WWTP)	4.12%	1,448,596		340,305	1,108,291	354,470
OWDA Loan #6643 (Lime Sludge)	0%	82,521		8,456	74,065	8,627
OWDA Loan #6065 (Waterline/Meters)	2.0%	1,000,602		49,958	950,644	50,963
OWDA Loan #3790 (WTP)	3.15%	663,877		69,264	594,613	71,463
OWDA Loan #4380 (Pohl Water)	2.75%	481,740		38,062	443,678	39,116
OWDA Loan #4381 (Pohl Sewer)	2.75%	346,339		27,364	318,975	28,122
OWDA Loan #4570 (Tank)	2.84%	280,314		20,930	259,384	21,528
OWDA Loan #4783 (Bluffton)	2.75%	1,024,676		66,560	958,116	68,401
OWDA Loan #6858 (WWTP Screening Facility)	2.28%	122,513		26,124	96,389	26,724
Total Business-type Activities		\$6,091,501		\$686,347	\$5,405,154	\$708,738

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

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

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

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

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

The State Infrastructure Bank loans were obtained through the Ohio Department of Taxation. These loans are for Williamstown Road, Putnam Parkway Road improvements, and Villa Drive. The loans will be repaid in semiannual installments over 8 years beginning in 2017. The Williamstown Road and Villa Drive loans will be repaid with income tax receipts. The Putnam Parkway Road loan will be repaid with income tax receipts and tax increment financing receipts. As of December 31, 2016, the Village had loan proceeds of \$231,642 available on the Villa Drive loan that the Village had not yet drawn from the bank, but was included in the amortization table below.

The Ohio Public Works Commission 0% loans relate to a storm sewer project, street pump and sanitary sewer extension, West Ottawa pump station, and Pohl Road sewer extension. The storm sewer loan was fully repaid in 2016. Income tax revenues were the dedicated source of repayment for this loan. The street pump loan will be repaid in semiannual installments of \$2,881 over 20 years. Sewer revenues are the dedicated source of repayment for this loan. The West Ottawa pump station loan will be paid in semiannual installments of \$8,185 over 20 years. Sewer revenues are the dedicated source of repayment for this loan. The Pohl Road sewer extension loan will be repaid in semiannual installments of \$8,596 over 20 years. Sewer revenues are the dedicated source of repayment for this loan.

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

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

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

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

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

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

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

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

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

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

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

Year	G.O. Bonds		OWDA Loans	
	Principal	Interest	Principal	Interest
2017	\$345,000	\$132,838	\$669,414	\$134,027
2018	370,000	121,695	692,619	111,434
2019	380,000	109,632	716,671	88,010
2020	395,000	96,224	340,997	67,806
2021	405,000	82,247	320,903	59,296
2022 – 2026	1,955,000	190,927	1,488,994	167,786
2027 – 2031			520,102	31,446
2032 -- 2036			68,690	1,032
Totals	<u>\$3,850,000</u>	<u>\$733,563</u>	<u>\$4,818,390</u>	<u>\$660,837</u>

Year	Promissory Note		OPWC Loans	State Bank Loans	
	Principal	Interest		Principal	Interest
2017	\$51,038	\$12,648	\$39,324	\$38,293	\$9,939
2018	52,602	11,074	39,326	39,452	8,781
2019	54,224	9,452	39,326	74,195	16,297
2020	55,872	7,803	39,325	76,438	14,054
2021	57,620	6,056	39,326	78,748	11,744
2022 – 2026	167,594	7,424	196,629	332,257	23,738
2027 – 2031			127,856		
2032 – 2036			79,887		
Totals	<u>\$438,950</u>	<u>\$54,457</u>	<u>\$600,999</u>	<u>\$639,383</u>	<u>\$84,533</u>

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

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, 2016, were an overall debt margin of \$5,771,392 and an unvoted debt margin of \$1,189,777.

NOTE 10 – LEASE

The Village entered a lease-purchase agreement on September 15, 2014 with Key Government Finance for a sewer camera system valued at \$172,090. The Village disbursed \$26,651 to pay lease costs for the year ended December 31, 2016.

The Village entered a lease-purchase agreement on September 15, 2015 with Key Government Finance for a street sweeper valued at \$240,809. The Village disbursed \$50,954 to pay lease costs for the year ended December 31, 2016.

The Village entered a lease-purchase agreement on September 1, 2015 with Caterpillar Financial Services Corporation for a wheel loader valued at \$150,502. The Village disbursed \$30,857 to pay lease costs for the year ended December 31, 2016.

Future lease payments including interest are as follows:

<u>Year</u>	<u>Amount</u>
2017	\$108,463
2018	111,649
2019	77,605
Totals	<u>\$297,717</u>

NOTE 11 – CONSTRUCTION AND CONTRACTUAL COMMITMENTS

<u>Vendor/Project</u>	<u>Contract Amount</u>	<u>Balance Outstanding 12/31/16</u>
Utility Services 1 Year for Water Tank Maintenance (5 th year of 6-year Program)	\$71,549	\$71,549
Utility Services Install TRS System (5 th year of 6-year Program)	\$49,292	\$49,292
Putnam County YMCA Donation (13 th year of 15-year Commitment)	\$1,500,000	\$244,797

NOTE 12 – CONTINGENT LIABILITIES

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

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

NOTE 13 – FUND BALANCES

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

	General Fund	Income Tax Fund	HMPG DR- 40-02.10R-08 Fund	Other Governmental Funds	Total Governmental Funds
Restricted for:					
Road Improvement				\$344,883	\$344,883
Disaster			\$8,271	93,424	101,695
Drug & Alcohol Enforcement				4,851	4,851
Economic Development				22,153	22,153
Police Operations				880	880
Fire Operations				168,946	168,946
Total Restricted			8,271	635,137	643,408
Committed for:					
General Govt	\$67,025	\$4,853			71,878
Capital Outlay		186,996			186,996
Disaster Relief				5,144	5,144
General		2,421,591			2,421,591
Police		6,211			6,211
Total Committed	67,025	2,619,651		5,144	2,691,820
Assigned for:					
General Govt	8,727				8,727
Community	5,673				5,673
Recreation	135				135
Fire Operations	5,517				5,517
Economic Development	1,000				1,000
Capital Outlay Subsequent Year	394				394
Budget	1,139,749				1,139,749
Total Assigned	1,161,195				1,161,195
Unassigned	574,425				574,425
Total Fund Balance	\$1,802,645	\$2,619,651	\$8,271	\$640,281	\$5,070,848

NOTE 14 – MISCELLANEOUS RECEIPTS

Miscellaneous receipts in the General Fund consisted of donations and payments for lease of office space.

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

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Ottawa, Putnam County, Ohio (Village) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated October 18, 2018, wherein we noted the Village uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

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 2017-001 to be a material weakness.

Compliance and Other Matters

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

Entity's Response to Findings

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the Village's response to the auditing procedures applied in the audit of the financial statements 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 report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

October 18, 2018

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2017-001

Material Weakness – Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. In addition, Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, (codified as GASB Cod 1800.165-.179) introduces five fund balance classifications and clarifies the existing governmental fund type definitions. The fund balance classifications relate to constraints placed upon the use of resources reported in governmental funds. The five classifications are nonspendable, restricted, committed, assigned and unassigned.

Although the Village implemented GASB No. 54, the Clerk-Treasurer did not always classify the fund balances correctly.

In 2017, the General Fund unassigned fund balance was overstated and committed fund balance was understated by \$58,636 for the Termination Benefit Fund balance.

This error occurred as a result of management's lack of understanding of the proper classification of fund balances in accordance with GASB 54. A lack of properly classifying fund balances increases the risk fund balances may not be spent properly. The accompanying financial statements have been adjusted to correct this and other errors. Additional errors were noted in a smaller relative amounts and for additional reasons.

To help ensure the Village's financial statements and notes to the financial statements are complete and accurate, Council should adopt policies and procedures, including a final review of the financial statements and footnotes by the Clerk-Treasurer and Council to identify, and correct, errors, omissions, and misclassifications. The Clerk-Treasurer should also review Auditor of State Bulletin 2011-004 at the following website address for information on Governmental Accounting Standards Board Statement No. 54: <http://www.ohioauditor.gov/publications/bulletins/2011/2011-004.pdf>.

Officials' Response:

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



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2017 AND 2016

Finding Number	Finding Summary	Status	Additional Information
2015-001	This finding was first reported in 2014. Material weakness for lack of monitoring of financial transactions due to errors in the financial statements.	Not corrected and reissued as finding 2017-001 in this report.	An effort was made to correct prior audit posting errors and properly follow GASB 54. The Village of Ottawa will follow this guidance in the future.

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Dave Yost • Auditor of State

VILLAGE OF OTTAWA

PUTAM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 8, 2018