

Village of Ottawa, Ohio
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 - Reporting Entity

The Village of Ottawa (the Village), Putnam County, 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 publicly-elected 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. The Village 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 public entity risk pools. Notes 5 and 10 to the financial statements provide additional information for these pools. 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

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

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 presented below:

General Fund 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.

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

Income Tax Fund The Income Tax Fund accounts for and reports revenues derived mainly from the Village's one percent income tax. It is used primarily to fund capital improvements. Its use is committed by Village ordinance.

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

WWTP Screening Facility Fund The WWTP Screening Facility Fund accounts for and reports proceeds of an OWDA loan. The proceeds are restricted for construction of a headworks screening facility at the wastewater treatment plant.

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

Water Fund 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

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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

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

A summary of 2019 budgetary activity appears in Note 3.

Deposits and Investments

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

During 2019, the Village invested in nonnegotiable certificates of deposit savings accounts, money market funds, and STAR Ohio.

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Investment in STAR Ohio is measured 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.

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

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

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

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

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.

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2019 follows:

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2019 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$535,251	\$629,194	\$93,943
Special Revenue	2,370,192	2,667,104	296,912
Capital Projects	2,487,666	2,487,666	0
Enterprise	3,457,683	3,678,030	220,347
Total	<u>\$8,850,792</u>	<u>\$9,461,994</u>	<u>\$611,202</u>

2019 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,660,119	\$953,946	\$706,173
Special Revenue	5,352,132	3,612,636	1,739,496
Capital Projects	2,493,319	2,291,971	201,349
Enterprise	5,492,842	4,051,618	1,441,224
Total	<u>\$14,998,412</u>	<u>\$10,910,171</u>	<u>\$4,088,241</u>

Note 4 – Deposits and Investments

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

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	2019
Demand deposits	\$297,106
Certificates of deposit	5,325,000
Other time deposits (savings, NOW accounts)	13,317
Total deposits	5,635,423
STAR Ohio	88,653
Total investments	88,653
Total deposits and investments	\$5,724,076

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; collateralized by securities specifically pledged by the financial institution to the Village; or; collateralized through 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.

Investments

Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

Note 6 – Taxes

Property Taxes

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

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

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

Income Taxes

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

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

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Note 5 - Risk Management

The Village is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the Village's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2018</u>
Cash and investments	\$ 35,381,789
Actuarial liabilities	\$12,965,015

Note 6 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The majority of the Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2019.

Ohio Police and Fire Retirement System

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2019.

Social Security

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

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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, 2019.

Note 7 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include 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. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2019. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

Note 8 – Debt

Debt outstanding at December 31, 2019 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds 2011	\$1,595,000	4%
General Obligation Bonds 2014	\$1,160,000	2%
Promissory Note (Fire Truck)	\$281,162	3%
State Infrastructure Bank Loan (Williamstown Rd)	\$93,369	3%
State Infrastructure Bank Loan (Putnam Parkway)	\$129,036	3%
State Infrastructure Bank Loan (Villa Drive)	\$265,037	3%
OPWC Loan - Pohl Sewer	\$137,542	0%
OPWC Loan - Oak Street Pump Station	\$83,560	0%
OPWC Loan - W. Ottawa Pump Station	\$261,920	0%
OPWC Loan - S. Perry Pump Station	\$190,000	0%
OPWC Loan - Clearwell Bypass	\$100,000	0%
OWDA Loan #3790 (WTP)	\$373,345	3%
OWDA Loan #4380 (Pohl Water)	\$323,051	3%
OWDA Loan #4381 (Pohl Sewer)	\$232,252	3%
OWDA Loan #4570 (Tank Rehab)	\$192,935	3%
OWDA Loan #4783 (Bluffton Waterline)	\$747,175	3%
OWDA Loan #6065 (Waterline/Meters)	\$794,663	2%
OWDA Loan #6643 (Lime Sludge Lagoon)	\$47,663	2%
OWDA Loan #6858 (WWTP Screening Facility Design)	\$25,626	2%
OWDA Loan #8402 (WWTP Headworks Screening)	\$2,821,364	1%
OWDA Loan #8438 (WTP Improvements HAB Design)	\$346,364	0%
Total	<u>\$10,201,064</u>	

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 financed road improvement, road equipment, water improvement, and sewer

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equipment.

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 Transportation. These loans are for Williamstown Road, Putnam Parkway and Villa Drive road improvements. 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 (OPWC) 0% loans relate to Pohl Road sewer extension, Oak Street pump station, West Ottawa pump station, South Perry pump station and clear well bypass for water treatment. 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 Oak Street Pump Station 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 South Perry Street Pump Station loan will be repaid in semiannual payments of \$5,000 over 20 years. Sewer revenues are the dedicated source of repayment for this loan. The Clearwell Bypass loan will be paid in semiannual installments of \$2,500 over 20 years. Water revenues are the dedicated source of repayment for these loans.

The Ohio Water Development Authority (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.

The OWDA loan #6065 is for waterline and meter replacement. The loan will be repaid in semiannual installments over 20 years, and will be repaid with water receipts.

The OWDA loan #6643 is for a lime sludge project related to water treatment to address Environmental Protection

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Agency recommendations. This loan will be repaid in semiannual installments including interest, over 20 years. Water receipts secure the loan.

The OWDA loan #6858 is for design of a screening facility at the wastewater treatment plant. This loan will be repaid in semiannual installments over 5 years. Sewer receipts secure this loan.

The OWDA loan #8402 is for construction of a headworks screening facility at the wastewater treatment plant. This loan will be repaid in semiannual installments including interest, over 30 years. Sewer receipts secure the loan.

The OWDA loan #8438 is for design of Water Treatment Plant Improvements mandated by EPA to address issues related to Harmful Alga Bloom (HAB). This loan will be repaid in semiannual installments over 5 years. Water receipts secure this loan.

Leases

The Village entered a lease-purchase agreement on September 17, 2019 with Leasing 2, Inc. for an Aquatech Model B-10-1450 Combination Vacuum Truck valued at \$407, 385. The Village will pay this lease with six annual installments of \$75,949 beginning in 2020.

Amortization

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

Year Ending December 31:	General		OPWC Loans	OWDA Loans	Bank Loan	SIB Loans
	Leases	Obligation Bonds				
2020	75,949	491,224	51,825	475,006	63,676	90,492
2021	75,949	487,247	54,325	557,879	63,676	90,492
2022	75,949	479,026	54,325	558,273	63,676	90,492
2023	75,949	470,765	54,325	475,686	63,676	90,492
2024	75,949	472,301	54,325	444,439	46,230	90,492
2025-2029	75,949	738,650	237,242	1,518,552		84,519
2030-2034			182,782	754,614		
2034-2038			81,370	545,449		
2039-2043			2,500	545,449		
2043-2047				545,449		
2048-2052				109,090		
Total	<u>\$455,694</u>	<u>\$3,139,213</u>	<u>\$773,019</u>	<u>\$6,529,886</u>	<u>\$300,934</u>	<u>\$536,979</u>

Note 9 – Construction and Contractual Commitments

<u>Vendor/Project</u>	<u>Contract Amount</u>	<u>Balance Outstanding 12/31/19</u>
Utility Services TRS System (Annual Tank Maintenance)	\$105,513	\$105,513
Poggemeyer Design Group Engineering WTP Improvements	\$745,825	\$460,166

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Peterson Construction Company	\$2,349,120	\$917,419
WWTP Headworks Screening Project		

Note 10 – Public Entity Risk Pool

The Village participates in the Ohio Municipal League Group Rating Plan (GRP) for worker’s compensation. The pool’s business and affairs are conducted by a twenty-six member Board of Trustees consisting of fifteen mayors, two council members, three administrators, three finance directors, and three law directors which are voted on by the members for staggered two-year terms. The Executive Director of the Ohio Municipal League serves as the coordinator of the Program. Each year the participants pay an enrollment fee to the program to cover the costs of administering the program.