



OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF OTTAWA
PUTNAM COUNTY
DECEMBER 31, 2019

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OHIO AUDITOR OF STATE KEITH FABER



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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 financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Ottawa, Putnam County, Ohio (the Village) as of and for the year ended December 31, 2019.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2019, and the respective changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Ottawa, Putnam County, Ohio as of December 31, 2019, for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Emphasis of Matter

As discussed in Note 14 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. 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 date July 17, 2020, 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.



Keith Faber
Auditor of State

Columbus, Ohio

July 17, 2020

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**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$245,505	\$90,141		\$335,646
Municipal Income Tax		2,139,108		2,139,108
Intergovernmental	94,419	302,261	\$578,656	975,336
Charges for Services	38,601	2,434		41,035
Fines, Licenses and Permits	51,912	1,515		53,427
Earnings on Investments	200,163	6,073	1	206,237
Miscellaneous	64,552	125,009		189,561
<i>Total Cash Receipts</i>	<u>695,152</u>	<u>2,666,541</u>	<u>578,657</u>	<u>3,940,350</u>
Cash Disbursements				
Current:				
Security of Persons and Property	173,082	723,616		896,698
Leisure Time Activities	126,051			126,051
Community Environment	69,122			69,122
Basic Utility Services	4,328			4,328
Transportation		255,944		255,944
General Government	278,745	331,811		610,556
Capital Outlay	23,418	1,464,072	2,291,971	3,779,461
Debt Service:				
Principal Retirement		508,948		508,948
Interest and Fiscal Charges		134,761		134,761
<i>Total Cash Disbursements</i>	<u>674,746</u>	<u>3,419,152</u>	<u>2,291,971</u>	<u>6,385,869</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>20,406</u>	<u>(752,611)</u>	<u>(1,713,314)</u>	<u>(2,445,519)</u>
Other Financing Receipts (Disbursements)				
Sale of Notes			1,909,010	1,909,010
Sale of Capital Assets	5,270	565		5,835
Transfers Out	(265,102)			(265,102)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(259,832)</u>	<u>565</u>	<u>1,909,010</u>	<u>1,649,743</u>
<i>Net Change in Fund Cash Balances</i>	<u>(239,426)</u>	<u>(752,046)</u>	<u>195,696</u>	<u>(795,776)</u>
<i>Fund Cash Balances, January 1</i>	<u>1,766,320</u>	<u>2,773,303</u>	<u>5,653</u>	<u>4,545,276</u>
Fund Cash Balances, December 31				
Restricted		499,843	196,203	696,046
Committed	43,352	1,521,414	5,146	1,569,912
Assigned	829,501			829,501
Unassigned	654,041			654,041
<i>Fund Cash Balances, December 31</i>	<u>\$1,526,894</u>	<u>\$2,021,257</u>	<u>\$201,349</u>	<u>\$3,749,500</u>

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

**VILLAGE OF OTTAWA
PUTNAM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$3,365,447
Miscellaneous	22,735
	3,388,182
<i>Total Operating Cash Receipts</i>	<i>3,388,182</i>
Operating Cash Disbursements	
Personal Services	769,060
Fringe Benefits	394,405
Contractual Services	626,032
Supplies and Materials	380,125
Other	19,463
	2,189,085
<i>Total Operating Cash Disbursements</i>	<i>2,189,085</i>
<i>Operating Income</i>	<i>1,199,097</i>
Non-Operating Receipts (Disbursements)	
Intergovernmental	3,888
Special Assessments	10,423
Sale of Fixed Assets	10,434
Capital Outlay	(622,877)
Principal Retirement	(766,331)
Interest and Other Fiscal Charges	(89,091)
	(1,453,554)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(1,453,554)</i>
<i>Loss before Transfers</i>	<i>(254,457)</i>
Transfers In	265,102
	10,645
<i>Net Change in Fund Cash Balances</i>	<i>10,645</i>
<i>Fund Cash Balances, January 1</i>	<i>2,035,158</i>
<i>Fund Cash Balances, December 31</i>	<i>\$2,045,803</i>

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

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, 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 publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police services. The Village appropriates General Fund money to support a volunteer fire department.

Public Entity Risk Pool

The Village participates in a public entity risk pool, the Public Entities Pool of Ohio (PEP). Note 6 to the financial statements provides additional information for this entity. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

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 the proprietary fund type 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 Fund:

Income Tax Fund This 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 Fund:

WWTP Screening Facility Fund This fund accounts for and reports proceeds of an Ohio Water Development Loan. The proceeds are restricted for construction of a screening facility at the wastewater treatment plant.

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:

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

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 Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the 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 or losses at the time of sale as receipts or disbursements, respectively.

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.

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

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:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$535,251	\$700,422	\$165,171
Special Revenue	2,370,192	2,667,106	296,914
Capital Projects	2,487,666	2,487,667	1
Enterprise	3,457,683	3,678,029	220,346
Total	\$8,850,792	\$9,533,224	\$682,432

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

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,660,119	\$953,949	\$706,170
Special Revenue	5,352,132	3,612,636	1,739,496
Capital Projects	2,493,319	2,291,971	201,348
Enterprise	5,492,842	4,051,616	1,441,226
Total	\$14,998,412	\$10,910,172	\$4,088,240

The Termination Benefits Fund is legally budgeted as a separate Special Revenue Fund; however, this fund is considered part of the General Fund for financial reporting purposes.

Note 4 – Deposits and Investments

The Village maintains a deposits 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:

	2019
Demand deposits	\$305,103
Certificates of deposit	5,395,955
Other time deposits (savings account)	5,321
Total deposits	5,706,379
STAR Ohio	88,924
Total deposits and investments	\$5,795,303

Deposits

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

Investments

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

Note 5 – 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.

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

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.

Note 6 – 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>2019</u>
Cash and investments	\$ 38,432,610
Actuarial liabilities	\$ 14,705,917

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The majority of Village 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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent 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 Ohio 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.

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

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

Social Security

Several of the Village's employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

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 8 – 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 was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

Note 9 – Debt

Debt outstanding at December 31, 2019 was as follows:

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

	<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)	281,080	3%
State Infrastructure Bank Loan (Williamstown Road)	93,370	3%
State Infrastructure Bank Loan (Putnam Parkway)	129,037	3%
State Infrastructure Bank Loan (Villa Drive)	247,884	3%
Ohio Public Works Commission Loan (Pohl Sewer)	137,543	0%
Ohio Public Works Commission Loan (Oak Street Pump Station)	83,562	0%
Ohio Public Works Commission Loan (West Ottawa Pump Station)	261,920	0%
Ohio Public Works Commission Loan (South Perry Pump Station)	190,000	0%
Ohio Public Works Commission Loan (Clearwell Bypass)	83,343	0%
Ohio Water Development Authority Loan #3790 (WTP)	373,345	3%
Ohio Water Development Authority Loan #4380 (Pohl Water)	323,051	3%
Ohio Water Development Authority Loan #4381 (Pohl Sewer)	232,252	3%
Ohio Water Development Authority Loan #4570 (Tank)	192,935	3%
Ohio Water Development Authority Loan #4783 (Bluffton)	747,175	3%
Ohio Water Development Authority Loan #6065 (Waterline/Meters)	794,662	2%
Ohio Water Development Authority Loan #6643 (Lime Sludge)	47,663	2%
Ohio Water Development Authority Loan #6858 (WWTP Screening)	25,626	2%
Ohio Water Development Authority Loan #8402 (WWTP Headworks)	1,646,294	1%
Ohio Water Development Authority Loan #8438 (WTP HAB Design)	280,473	0%
Total	<u>\$8,926,215</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 will finance road improvement, road equipment, water improvement, and sewer 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 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 Pohl Road sewer extension, Oak Street pump station, West Ottawa pump station, South Perry pump station, and Clearwell Bypass. 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.

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

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 project will be paid in semiannual installments over 20 years, and will be repaid with water receipts. This project was not completed at December 31, 2019, and no final amortization schedule has been provided by OPWC. Therefore this loan is not included in the amortization table below.

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 Ohio Water Development Authority (OWDA) loan #4380 is for the Pohl Road area water line extension to provide 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 Ohio Water Development Authority (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 Ohio Water Development Authority (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 Ohio Water Development Authority (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 Ohio Water Development Authority (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 Ohio Water Development Authority (OWDA) loan #6643 is for a lime sludge project related to water treatment to address Environmental Protection Agency recommendations. 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 #6858 is for design of a screening facility at the wastewater treatment plant. This loan will be repaid in semiannual installments over 5 years, and will be repaid with sewer receipts.

The Ohio Water Development Authority (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. This project was not completed at December 31, 2019, and no final amortization schedule has been provided by OWDA. Therefore this loan is not included in the amortization table below.

The Ohio Water Development Authority (OWDA) loan #8438 is for design of water treatment plant improvements mandated by the EPA to address issues related to harmful alga bloom (HAB). This loan will be repaid in semiannual installments over 5 years, and will be repaid with water receipts. This project was not completed at December 31, 2019, and no final amortization schedule has been provided by OWDA. Therefore this loan is not included in the amortization table below.

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

Leases

During 2019, the Village leased a sewer camera system and street sweeper under noncancelable leases. The Village disbursed \$77,605 to pay lease costs for the year ended December 31, 2019. In addition, 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:	Leases	General Obligation Bonds	OPWC Loans	OWDA Loans	Bank Loan	SIB Loans
2020	\$75,949	\$491,224	\$49,326	\$406,265	\$63,675	\$69,364
2021	75,949	487,247	49,326	380,200	63,676	90,492
2022	75,949	479,026	49,326	380,200	63,676	90,491
2023	75,949	470,765	49,326	380,198	63,676	90,492
2024	75,949	472,305	49,326	335,382	47,697	175,012
2025-2029	75,949	738,649	195,873	973,103		
2030-2034			157,782	209,165		
2035-2039			72,740			
Total	<u>\$455,694</u>	<u>\$3,139,216</u>	<u>\$673,025</u>	<u>\$3,064,513</u>	<u>\$302,400</u>	<u>\$515,851</u>

Note 10 – Construction and Contractual Commitments

<u>Vendor/Project</u>	<u>Contract Amount</u>	<u>Balance Outstanding 12/31/19</u>
Utility Services Install TRS System	\$115,314	\$115,314
Poggemeyer Design Group Engineering WTP Improvements	\$736,025	\$460,166
Peterson Construction Company Pleasant Drive Sanitary Sewer	\$2,349,120	\$917,419

Note 11 – Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. The grantor 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 12 – Miscellaneous Receipts

Miscellaneous receipts in the General Fund primarily consisted of donations, refunds, payments in lieu of taxes, and building rent.

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

Note 13 – Interfund Transfers

During 2019, the Village transferred \$265,102 from the General Fund to the Sewer Fund.

Transfers are used to move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to use unrestricted receipts collected in the General Fund to finance various programs accounted for in the other funds in accordance with budgetary authorizations.

Note 14 – Subsequent Events

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. In addition, the impact on the Village's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

The Village approved a lease-purchase agreement in July 2020, with Republic First National, for the purpose of acquiring a fire truck engine and equipment. The agreement amount is \$813,757, with a term of 10 years. The first payment is due in 2021.



**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 financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Ottawa, Putnam County, Ohio (the Village) as of and for the year ended December 31, 2019, and the related notes to the financial statements and have issued our report thereon dated July 17, 2020, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. 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 2019-001 to be a material weakness.

Compliance and Other Matters

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

Village's Response to Finding

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.



Keith Faber
Auditor of State

Columbus, Ohio

July 17, 2020

VILLAGE OF OTTAWA
PUTNAM COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2019

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

FINDING NUMBER 2019-001

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.

The following errors were identified in the accompanying financial statements:

- Advances in and advances out were overstated in the General and Sewer Funds, respectively, in the amount of \$265,102.
- As of December 31, 2019, earnings on investments of \$71,226 were unrecorded in the General Fund. This also understated the General Fund balance by this amount.

These errors were the result of inadequate policies and procedures in reviewing the financial statements. Failure to complete accurate financial statements could lead to the Village Council making misinformed decisions. The accompanying financial statements, notes to the financial statements, and accounting system have been adjusted to correct these errors. An additional error was noted in a smaller relative amount.

To help ensure the Village's financial statements and notes to the financial statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the financial statements and notes to the financial statements by the Clerk-Treasurer and Village Council, to identify and correct errors and omissions.

Officials' Response:

The Village uses the cash basis of accounting and did not post the earned interest because the majority of the interest was accrued in CD's and the actual cash was not received and available for the Village to use. An effort will be made to follow this guidance and correct these posting errors in the future.

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OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF OTTAWA

PUTNAM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 30, 2020**