



**bhm cpa group, inc.**  
CERTIFIED PUBLIC ACCOUNTANTS

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VILLAGE OF OTWAY  
SCIOTO COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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OHIO AUDITOR OF STATE  
KEITH FABER



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Village Council  
Village of Otway  
P. O. Box 42  
Otway, Ohio 45657

We have reviewed the *Independent Auditor's Report* of the Village of Otway, Scioto County, prepared by BHM CPA Group, Inc., for the audit period January 1, 2019 through December 31, 2020. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Otway is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

September 16, 2021

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**Village of Otway**  
**Scioto County, Ohio**  
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*For the Years Ended December 31, 2020 and 2019*

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**INDEPENDENT AUDITOR'S REPORT**

Village of Otway  
Scioto County  
P.O. Box 42  
Otway, Ohio 45657

To the Village Council:

***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements for each governmental and proprietary fund type as of and for the year ended December 31, 2020 and for each governmental and proprietary fund type as of and for the year ended December 31, 2019, and related notes of the Village of Otway, Scioto County, Ohio (the Village).

***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 1 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, 2020 and 2019, and the respective changes in financial position or cash flows thereof for the years 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 for each governmental and proprietary fund type as of and for the year ended December 31, 2020 and for each governmental and proprietary fund type as of and for the year ended December 31, 2019, and related notes of the Village, 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 1.

***Emphasis of Matter***

As discussed in Note 13 to the 2020 financial statements, the financial impact of COVID-19 and the ensuing measure 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 dated July 19, 2021, 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.



BHM CPA Group, Inc.  
Piketon, Ohio  
July 19, 2021



**VILLAGE OF OTWAY  
SCIOTO COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND  
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Local Taxes	\$ 3,652	\$ 3,449	\$ 7,101
Intergovernmental	3,376	5,987	9,363
Charges for Services	-	45,595	45,595
Earnings on Investments	73	266	339
Miscellaneous	195	8,622	8,817
	<u>7,296</u>	<u>63,919</u>	<u>71,215</u>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons & Property	-	33,541	33,541
Transportation	-	351	351
General Government	9,763	17,061	26,824
Debt Service:			
Redemption of Principal	-	8,859	8,859
	<u>9,763</u>	<u>59,812</u>	<u>69,575</u>
<i>Net Change in Fund Cash Balances</i>	(2,467)	4,107	1,640
Fund Cash Balances, January 1	<u>8,177</u>	<u>93,955</u>	<u>102,132</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$ 5,710</u></u>	<u><u>\$ 98,062</u></u>	<u><u>\$ 103,772</u></u>

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

**VILLAGE OF OTWAY  
SCIOTO COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND  
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
ALL PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 25,161
Total Operating Cash Receipts	25,161
<b>Operating Cash Disbursements</b>	
Personal services	2,755
Contractual services	4,973
Supplies and Materials	8,977
Total Operating Cash Disbursements	16,705
<i>Operating Income (Loss)</i>	8,456
<b>Non-Operating Receipts (Disbursements)</b>	
Principal	(3,737)
Total Non-Operating Receipts (Disbursements)	(3,737)
<i>Net Change in Fund Cash Balances</i>	4,719
Fund Cash Balances, January 1	228
<b>Fund Cash Balances, December 31</b>	<b>\$ 4,947</b>

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

**VILLAGE OF OTWAY  
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Otway, Scioto County, (the Village) as a body corporate and politic. A publicly-elected six member Council directs the Village. The Village provides street and state highway maintenance and fire protection.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

**B. 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 fund types which are all organized on a fund type basis.

**C. Accounting Basis**

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.

**D. Deposits**

The Village maintains an interest bearing checking account.

**E. 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:

**1. General Fund:**

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**VILLAGE OF OTWAY  
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Fund Accounting (continued)**

**2. 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:

*Community Building Fund* – This fund receives money for rental of the gymnasium and storage unit at the Community Building for maintaining and repairing the Village property.

*Volunteer Fire Department Fund* – This fund receives property tax money for fire protection for the village.

**3. 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:

*Sewer Fund* – This fund receives charges for services from residents to cover the cost of providing the utility. This fund accounted for the Otway Sanitary Sewer Project between the Village of Otway, Ohio and the Ohio Water Development Authority.

**F. Budgetary Process**

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

**1. 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.

**2. 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.

**VILLAGE OF OTWAY  
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. Budgetary Process (Continued)**

**3. 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 2020 budgetary activity appears in Note 3.

**G. 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:

**1. Nonspendable**

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

**2. 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.

**3. 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.

**4. Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

**5. 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.

**VILLAGE OF OTWAY  
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. Fund Balance (Continued)**

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 11.

**H. 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.

**2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS**

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. A summary of the Village's deposit and investment accounts are as follows:

	<u>2020</u>
<b><i>Cash Management Pool:</i></b>	
Demand deposits	\$ 108,719
Total deposits	<u>108,719</u>
Total carrying amount of deposits held in the Pool	<u>\$ 108,719</u>

**Deposits:** The Village's deposits are insured by the Federal Deposit Insurance Corporation.

**VILLAGE OF OTWAY  
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2020 follows:

2020 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$5,229	\$7,296	\$2,067
Special Revenue	55,984	63,919	7,935
Enterprise	28,695	25,161	(3,534)
Total	\$89,908	\$96,376	\$6,468

2020 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$13,406	\$9,763	\$3,643
Special Revenue	101,080	59,812	41,268
Enterprise	26,587	20,442	6,145
Total	\$141,073	\$90,017	\$51,056

**4. PROPERTY TAX**

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 homestead and rollback deductions. The financial statements include homestead and rollback 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.

**5. DEBT**

Debt outstanding at December 31, 2020 was as follows:

	Principal	Interest Rate
Fire Department Mortgage	\$186,040	0%
Ohio Water Development Authority Loans	134,530	3.06-3.39%
Total	\$320,570	

**VILLAGE OF OTWAY  
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

**5. DEBT (Continued)**

In 2016, the Village entered into a no interest twenty-year loan to construct a new fire station to house its fire apparatus. The fire station is collateralized against the loan. Payments will be made quarterly over twenty years from the Volunteer Fire Department fund.

The Ohio Water Development Authority (OWDA) loan was obtained for the purpose of paying for the costs of constructing improvements to the Village’s sanitary sewer project due to not receiving enough grant funds to fully fund the project. Terms for repayment of the loan are a twenty-year loan at 0% interest. Payments for these loans will be made by the Sewer Fund. The Village entered into a loan through the OWDA that will be paid off through a principal forgiveness program.

Amortization of the above debt is as follows:

Year ending December 31:	Fire Department Mortgage	OWDA Loan
2021	\$ 11,812	\$ 7,474
2022	11,812	7,474
2023	11,812	7,474
2024	11,812	7,474
2025	11,812	7,474
2026-2030	59,060	37,370
2031-2035	59,060	37,370
2036-2040	8,860	22,420
Total	<u>\$ 186,040</u>	<u>\$ 134,530</u>

**6. RETIREMENT SYSTEM**

Not applicable. The village opted out of OPERS several years ago. This was approved through OPERS.

**7. POSTEMPLOYMENT BENEFITS**

Not Applicable. See Note 6.

**8. RISK MANAGEMENT**

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments (“Members”). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.



**VILLAGE OF OTWAY  
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

**8. RISK MANAGEMENT (CONTINUED)**

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. The OPRM is also participated in a property primary excess of loss treaty. This treaty reimbursed the OPRM 30% for losses between \$200,000 and \$1,000,000. The reimbursement is based on the amount of loss between \$200,000 and \$1,000,000. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. Effective November 1, 2019, the OPRM's property retention increased from 30% to 33%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty.

Effective November 1, 2020, the OPRM's property retention increased from 33% to 55%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. OPRM had 771 members as of December 31, 2020.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2020.

Assets	\$ 18,826,974
Liabilities	<u>( 13,530,267)</u>
Members' Equity	<u>\$ 5,296,707</u>

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**9. FINANCIAL CONDITION**

As of December 31, 2020, the Village had a General Fund balance of \$5,710. In addition to this, the Street Construction Maintenance and Repair Fund had a balance of \$5,441. The State Highway Fund as well as the Community Building Fund had combined balances of less than \$500. The Village is taking steps to attempt to increase revenues and reduce expenditures. However, they are still struggling to be able to pay regular monthly bills.

**10. SUBSEQUENT EVENTS**

The Village continues to incur debt and receive loans for the Otway Sanitary Sewer Project between the Village of Otway, Ohio and the Ohio Water Development Authority.

**11. FUND BALANCES**

Included in fund balance are amounts the Village cannot spend, including the balance of unclaimed monies which cannot be spent for five years and the unexpendable corpus of the permanent funds. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control.

**VILLAGE OF OTWAY  
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

**11. FUND BALANCES (Continued)**

The fund balance of special revenue funds is either restricted or committed. These restricted or committed amounts in the special revenue funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

**12. CHANGE IN ACCOUNTING PRINCIPLES**

For 2020, the Village has made changes to their cash basis reporting model. These changes include removing the fund balance classifications from the Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types. The effect of this change had no effect on the Village’s beginning cash balances.

**13. COVID-19**

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

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**VILLAGE OF OTWAY  
SCIOTO COUNTY**

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

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Local Taxes	\$ 7,874	\$ 3,881	\$ 11,755
Intergovernmental	4,458	24,653	29,111
Charges for Services	300	44,903	45,203
Earnings on Investments	62	406	468
Miscellaneous	85	40,566	40,651
	<u>12,779</u>	<u>114,409</u>	<u>127,188</u>
<b>Total Cash Receipts</b>			
<b>Cash Disbursements:</b>			
Current:			
Security of Persons & Property	-	35,365	35,365
Transportation	-	249	249
General Government	10,240	14,673	24,913
Debt Service:			
Redemption of Principal	-	11,812	11,812
	<u>10,240</u>	<u>62,099</u>	<u>72,339</u>
<b>Total Cash Disbursements</b>			
<i>Net Change in Fund Cash Balances</i>	2,539	52,310	54,849
Fund Cash Balances, January 1	<u>5,638</u>	<u>41,645</u>	<u>47,283</u>
Restricted	-	93,955	93,955
Assigned	<u>8,177</u>	<u>-</u>	<u>8,177</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$ 8,177</u></u>	<u><u>\$ 93,955</u></u>	<u><u>\$ 102,132</u></u>

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

**VILLAGE OF OTWAY  
SCIOTO COUNTY**

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

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 25,720
 Total Operating Cash Receipts	 25,720
<b>Operating Cash Disbursements</b>	
Personal services	4,769
Fringe benefits	337
Contractual services	6,112
Supplies and Materials	7,404
 Total Operating Cash Disbursements	 18,622
 <i>Operating Income (Loss)</i>	 7,098
<b>Non-Operating Receipts (Disbursements)</b>	
Intergovernmental	48,439
OWDA Loan Proceeds	24,581
Capital Outlay	(73,020)
Principal	(7,446)
Other Financing Uses	(104)
 Total Non-Operating Receipts (Disbursements)	 (7,550)
 <i>Net Change in Fund Cash Balances</i>	 (452)
 Fund Cash Balances, January 1	 680
 <b>Fund Cash Balances, December 31</b>	 <b>\$ 228</b>

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

**VILLAGE OF OTWAY  
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Otway, Scioto County, (the Village) as a body corporate and politic. A publicly-elected six member Council directs the Village. The Village provides street and state highway maintenance and fire protection.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

**B. Accounting Basis**

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.

**C. Deposits**

The Village maintains an interest bearing checking account.

**D. Fund Accounting**

The Village uses fund accounting to segregate cash that is restricted as to use. The Village classifies its funds into the following types:

**1. General Fund:**

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**2. 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:

*Community Building Fund* – This fund receives money for rental of the gymnasium and storage unit at the Community Building for maintaining and repairing the Village property.

**VILLAGE OF OTWAY  
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Fund Accounting (continued)**

*Volunteer Fire Department Fund* – This fund receives property tax money for fire protection for the village.

**3. 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:

*Sewer Fund* – This fund receives charges for services from residents to cover the cost of providing the utility. This fund accounted for the Otway Sanitary Sewer Project between the Village of Otway, Ohio and the Ohio Water Development Authority.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

**1. 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.

**2. 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.

**3. 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.

**VILLAGE OF OTWAY  
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. 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:

**1. Nonspendable**

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

**2. 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.

**3. 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.

**4. 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.

**5. 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.



**VILLAGE OF OTWAY  
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**2. EQUITY IN POOLED 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:

	<u>2019</u>
Demand deposits	\$102,360
Total deposits:	<u>\$102,360</u>

**Deposits:** The Village's deposits are insured by the Federal Deposit Insurance Corporation.

**3. BUDGETARY ACTIVITY**

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

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$12,089	\$12,779	\$690
Special Revenue	60,036	114,409	54,373
Enterprise	99,139	98,740	(399)
Total	<u>\$171,264</u>	<u>\$225,928</u>	<u>\$54,664</u>

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$17,702	\$10,240	\$7,462
Special Revenue	101,080	62,099	38,981
Enterprise	99,607	99,192	415
Total	<u>\$218,389</u>	<u>\$171,531</u>	<u>\$46,858</u>

**VILLAGE OF OTWAY  
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**4. PROPERTY TAX**

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 homestead and rollback deductions. The financial statements include homestead and rollback 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.

**5. DEBT**

Debt outstanding at December 31, 2019 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Fire Department Mortgage	\$194,899	0%
Ohio Water Development Authority Loans	<u>138,267</u>	3.06-3.39%
Total	<u><u>\$333,166</u></u>	

In 2016, the Village entered into a no interest twenty-year loan to construct a new fire station to house its fire apparatus. The fire station is collateralized against the loan. Payments will be made quarterly over twenty years from the Volunteer Fire Department fund.

The Ohio Water Development Authority (OWDA) loan was obtained for the purpose of paying for the costs of constructing improvements to the Village's sanitary sewer project due to not receiving enough grant funds to fully fund the project. Terms for repayment of the loan are a twenty-year loan at 0% interest. Payments for these loans will be made by the Sewer Fund. The Village entered into a loan through the OWDA that will be paid off through a principal forgiveness program.

**VILLAGE OF OTWAY  
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**5. DEBT (Continued)**

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

Year ending December 31:	Fire Department <u>Mortgage</u>	<u>OWDA Loan</u>
2020	\$ 11,812	\$ 7,474
2021	11,812	7,474
2022	11,812	7,474
2023	11,812	7,474
2024	11,812	7,474
2025-2029	59,060	37,370
2030-2034	59,060	37,370
2035-2039	17,719	26,157
<b>Total</b>	<b><u>\$ 194,899</u></b>	<b><u>\$ 138,267</u></b>

**6. RETIREMENT SYSTEM**

Not applicable. The village opted out of OPERS several years ago. This was approved through OPERS.

**7. POSTEMPLOYMENT BENEFITS**

Not Applicable. See Note 6.

**8. RISK MANAGEMENT**

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. The OPRM is also participated in a property primary excess of loss treaty. This treaty reimbursed the OPRM 30% for losses between \$200,000 and \$1,000,000. The reimbursement is based on the amount of loss between \$200,000 and \$1,000,000. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. Effective November 1, 2019, the OPRM's property retention increased from 30% to 33%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. OPRM had 776 members as of December 31, 2019.

**VILLAGE OF OTWAY  
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**8. RISK MANAGEMENT (CONTINUED)**

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2019.

Assets	\$ 15,920,504
Liabilities	( 11,329,011)
Members' Equity	<u>\$ 4,591,493</u>

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**9. FINANCIAL CONDITION**

As of December 31, 2019, the Village had a General Fund balance of \$8,177. In addition to this, the Street Construction Maintenance and Repair Fund had a balance of \$785. The State Highway Fund as well as the Community Building Fund had combined balances of less than \$500. The Village is taking steps to attempt to increase revenues and reduce expenditures. However, they are still struggling to be able to pay regular monthly bills.

**10. SUBSEQUENT EVENTS**

The Village continues to incur debt and receive loans for the Otway Sanitary Sewer Project between the Village of Otway, Ohio and the Ohio Water Development Authority.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Otway  
Scioto County  
P.O. Box 42  
Otway, Ohio 45657

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 for each governmental and proprietary fund type as of and for the year ended December 31, 2020 and for each governmental and proprietary fund type as of and for the year ended December 31, 2019, and related notes of the Village of Otway, Scioto County, (the Village) and have issued our report thereon dated July 19, 2021, 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) as a basis for designing 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 2020-001 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 financial statement. 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2020-002 and 2020-003.

**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.

*BHM CPA Group*

BHM CPA Group, Inc.  
Piketon, Ohio  
July 19, 2021

**Village of Otway**  
**Scioto County**  
**Schedule of Findings**  
**December 31, 2020 and 2019**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2020-001**

**MATERIAL WEAKNESS**

Sound financial reporting is the responsibility of the fiscal officer and Village Council and is essential to ensure information provided to the readers of the financial statements is complete and accurate.

Material and immaterial misstatements were identified during the course of the audit which have not been prevented or detected by the Village’s internal controls over financial reporting. Misstatements were identified in the following areas for both 2019 and 2020:

- General Fund: Intergovernmental receipts and Property Tax receipts;
- Enterprise Fund Principal Payments disbursements;
- Enterprise Fund OWDA Loan Proceeds receipts;
- Enterprise Fund Intergovernmental receipts;
- Enterprise Fund Capital Outlay disbursements

To ensure the Village’s financial statements and notes to the financial statements are complete and accurate, we recommend the Fiscal Officer review the Ohio Village Officer’s Handbook for guidance on the correct line item to post various receipts and expenditures of the Village.

**Client Response:** The client did not provide a response to the finding.

**FINDING NUMBER 2020-002**

**MATERIAL NONCOMPLIANCE**

Ohio Rev. Code, Section 5705.41 (D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

This section also provides two “exceptions” to the above requirements:

- A. Then and Now Certificate – If the fiscal officer can certify that both at the time That the contract or order was made (“then”), and at the time that the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment or the amount due. The Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 maybe paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

**Village of Otway**  
**Scioto County**  
**Schedule of Findings (Continued)**  
**December 31, 2020 and 2019**

**FINDING NUMBER 2020-002 (continued)**

- B. Blanket Certificate – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any on particular line item appropriation.
  
- C. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonable predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village failed to sign and submit all purchase orders in 2019 and 2020 before the invoice was received. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Every effort should be made by the Village to properly utilize the encumbrance method of accounting by certifying funds prior to making a purchase obligation. Failure to properly certify funds could result in overspending and negative fund balances.

The Village should certify purchases to which 5705.41 (D) applies. The most convenient method is to use purchase orders that include the certification language 5705.41 (D) requires to authorize disbursements. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**Client Response:** The client did not provide a response to the finding.

**FINDING NUMBER 2020-003**

**MATERIAL NONCOMPLIANCE**

Ohio Rev. Code, Section 5705.39 states Appropriations limited by estimated revenue. The total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified by the budget commission, or in case of appeal, by the board of tax appeals. No appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate. When the appropriation does not exceed such official estimate, the county auditor shall give such certificate forthwith upon receiving from the appropriating authority a certified copy of the appropriation measure. Appropriations shall be made from each fund only for the purposes for which such fund is established.

During 2020 it was noted the Village had appropriations exceeding estimated resources in the General and Sewer Operating funds by \$5,103 and \$8,534, respectfully.

We recommend the Village Fiscal Officer to amend their budget if appropriations exceed estimated resources where needed.

**Client Response:** The client did not provide a response to the finding.



**VILLAGE OF OTWAY  
SCIOTO COUNTY  
DECEMBER 31, 2020 AND 2019**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2018-001	Material Weakness – Financial Reporting	No	Reissued as finding 2020-001
2018-002	Material Noncompliance – ORC 5705.41(D)	No	Reissued as finding 2020-002

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# OHIO AUDITOR OF STATE KEITH FABER



**VILLAGE OF OTWAY**

**SCIOTO COUNTY**

## **AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 9/28/2021**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)