



VILLAGE OF OTTAWA
PUTNAM COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) All Governmental Fund Types For the Year Ended December 31, 2021	5
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) Proprietary Fund Type For the Year Ended December 31, 2021	6
Notes to the Financial Statements For the Year Ended December 31, 2021	7
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	19
Schedule of Findings.....	21
Summary Schedule of Prior Audit Findings (Prepared by Management).....	23

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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 Audit of the Financial Statements

Unmodified and Adverse Opinions

We have audited the financial statements of the Village of Ottawa, Putnam County, Ohio (the Village), which comprises the cash balances, receipts and disbursements for each governmental and proprietary fund type as of and for the year ended December 31, 2021, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying 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, 2021, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

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* section of our report, the accompanying financial statements 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, 2021, or the changes in financial position or, where applicable, cash flows thereof for the year then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Village, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 2 of the financial statements, the financial statements are prepared by the Village on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Emphasis of Matter

As discussed in Note 15 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2022, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's 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

November 7, 2022

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Village of Ottawa
Putnam County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2021

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$276,709	\$95,532			\$372,241
Municipal Income Tax		2,500,269			2,500,269
Intergovernmental	126,897	661,592		\$1,296,438	2,084,927
Charges for Services	100,172	2,951			103,123
Fines, Licenses and Permits	51,075	772			51,847
Earnings on Investments	40,894	1,877		1	42,772
Miscellaneous	95,211	95,267			190,478
<i>Total Cash Receipts</i>	<u>690,958</u>	<u>3,358,260</u>		<u>1,296,439</u>	<u>5,345,657</u>
Cash Disbursements					
Current:					
Security of Persons and Property	147,333	755,838			903,171
Public Health Services		7,523			7,523
Leisure Time Activities	156,024				156,024
Community Environment	76,003				76,003
Basic Utility Services	4,798				4,798
Transportation		286,678			286,678
General Government	268,727	343,367			612,094
Capital Outlay	29,805	808,456		1,276,480	2,114,741
Debt Service:					
Principal Retirement		617,388		1,392,831	2,010,219
Interest and Fiscal Charges		126,968			126,968
<i>Total Cash Disbursements</i>	<u>682,690</u>	<u>2,946,218</u>		<u>2,669,311</u>	<u>6,298,219</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>8,268</u>	<u>412,042</u>		<u>(1,372,872)</u>	<u>(952,562)</u>
Other Financing Receipts (Disbursements)					
Sale of Bonds			\$566	1,222,435	1,223,001
Sale of Notes				176,164	176,164
Sale of Capital Assets	4,373	36,635			41,008
Transfers In	99			99	198
Transfers Out	(99)			(99)	(198)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>4,373</u>	<u>36,635</u>	<u>566</u>	<u>1,398,599</u>	<u>1,440,173</u>
<i>Net Change in Fund Cash Balances</i>	12,641	448,677	566	25,727	487,611
<i>Fund Cash Balances, January 1</i>	1,502,983	2,249,916		327,884	4,080,783
<i>Fund Cash Balances, December 31</i>	<u>\$1,515,624</u>	<u>\$2,698,593</u>	<u>\$566</u>	<u>\$353,611</u>	<u>\$4,568,394</u>

See accompanying notes to the basic financial statements

Village of Ottawa
Putnam County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
Proprietary Fund Type
For the Year Ended December 31, 2021

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$3,445,740
Miscellaneous	4,956
	3,450,696
<i>Total Operating Cash Receipts</i>	<i>3,450,696</i>
Operating Cash Disbursements	
Personal Services	849,676
Employee Fringe Benefits	414,132
Contractual Services	640,329
Supplies and Materials	436,002
Other	20,967
	2,361,106
<i>Total Operating Cash Disbursements</i>	<i>2,361,106</i>
<i>Operating Income</i>	<i>1,089,590</i>
Non-Operating Receipts (Disbursements)	
Intergovernmental Receipts	412
Special Assessments	10,423
Sale of Capital Assets	451
Capital Outlay	(376,493)
Principal Retirement	(592,994)
Interest and Other Fiscal Charges	(94,475)
	(1,052,676)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(1,052,676)</i>
<i>Net Change in Fund Cash Balances</i>	<i>36,914</i>
<i>Fund Cash Balances, January 1</i>	<i>2,326,673</i>
<i>Fund Cash Balances, December 31</i>	<i>\$2,363,587</i>

See accompanying notes to the basic financial statements

Village of Ottawa, Ohio
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2021

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 Pools and Jointly Governed Organization

The Village participates in public entity risk pools. Notes 6, 11, and 18 to the financial statements provide additional information for these entities. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types which are all 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 The income tax fund accounts for and reports revenues derived mainly from the Village's one percent income tax. It is used primarily to fund capital improvements. Its use is committed by Village ordinance.

Debt Service Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Fund:

General Obligation Bond Retirement Fund The general obligation bond retirement fund accounts for and reports revenues derived from sale of bonds. The proceeds are restricted for bond retirements.

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

Village of Ottawa, Ohio
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Bond Series 2021 Fund The bond series 2021 fund accounts for and reports the issuance of various purpose bond refunding. The proceeds are restricted for refunding the series 2011 bonds.

WTP Improvements Fund The WTP improvements fund accounts for and reports proceeds of an OWDA grant/loan. The proceeds are restricted for improvements at the water 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:

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

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

Basis of Accounting

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

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

Budgetary Process

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

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the 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 2021 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.

Village of Ottawa, Ohio
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2021

During 2021, the Village invested in nonnegotiable certificates of deposit savings accounts, money market funds, and STAR Ohio.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

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

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

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 12.

Village of Ottawa, Ohio
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2021 follows:

2021 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$560,011	\$695,430	\$135,419
Special Revenue	2,566,688	3,394,895	828,207
Debt Service	566	566	
Capital Projects	2,695,136	2,695,137	1
Enterprise	3,179,599	3,461,982	282,383
Total	\$9,002,000	\$10,248,010	\$1,246,010

2021 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,445,328	\$934,304	\$511,024
Special Revenue	5,001,453	3,124,211	1,877,242
Debt Service	566		566
Capital Projects	3,023,021	2,669,410	353,611
Enterprise	5,506,272	3,425,068	2,081,204
Total	\$14,976,640	\$10,152,993	\$4,823,647

Note 4 – Deposits and Investments

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

Demand deposits	2021 \$322,939
Certificates of deposit	5,250,000
Other time deposits (savings and NOW accounts)	8,065
Total deposits	5,581,004
STAR Ohio	1,350,977
Total deposits and investments	\$6,931,981

The Village does not use a separate payroll clearing account. The expenditures included in the accompanying financial statements reflect net payroll plus all remitted payroll withholdings.

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; collateralized by securities specifically pledged by the financial institution to the Village; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Village of Ottawa, Ohio
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Investments

Investments in STAR Ohio and mutual funds 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.

Income Taxes

The Village levies a municipal income tax of one 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. The Village contracts with Regional Income Tax Authority (RITA) to administer the Village's municipal income taxes.

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

Note 6 – Risk Management

Risk Pool Membership

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

Village of Ottawa, Ohio
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2021

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

	<u>2021</u>
Cash and investments	\$ 41,996,850
Actuarial liabilities	\$14,974,099

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% of their gross salaries, and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2021.

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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2021.

Social Security

Several Village 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, 2021.

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 2021. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2021. OP&F contributes 0.5 percent to fund these benefits.

Village of Ottawa, Ohio
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2021

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, 2021, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds 2014	\$795,000	2%
General Obligation Bonds 2021	1,223,001	1%
Promissory Note (Fire Truck)	167,554	3%
State Infrastructure Bank Loan (Williamstown Rd)	57,681	3%
State Infrastructure Bank Loan (Putnam Parkway)	79,715	3%
State Infrastructure Bank Loan (Villa Drive)	176,656	3%
OPWC Loan - Pohl Sewer	103,157	0%
OPWC Loan - Oak Street Pump Station	72,036	0%
OPWC Loan - W. Ottawa Pump Station	229,180	0%
OPWC Loan - S. Perry Pump Station	170,000	0%
OPWC Loan - Clearwell Bypass	92,500	0%
OWDA Loan #3790 (WTP)	213,877	3%
OWDA Loan #4380 (Pohl Water)	236,963	3%
OWDA Loan #4381 (Pohl Sewer)	170,361	3%
OWDA Loan #4570 (Tank Rehab)	145,407	3%
OWDA Loan #4783 (Bluffton Waterline)	596,634	3%
OWDA Loan #6065 (Waterline/Meters)	685,380	2%
OWDA Loan #6643 (Lime Sludge Lagoon)	29,165	2%
OWDA Loan #8402 (WWTP Headworks Screening)	2,675,108	1%
OWDA Loan #9503 (WTP Improvements HAB)	59,966	0%
Total	<u>\$7,979,341</u>	

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.

Proceeds from the 2021 bonds were used for the purpose of advance refunding of general obligation 2011 bonds. The 2021 advance refunding bonds were issued for a total of \$1,233,001. This advance refunding was undertaken to reduce total debt service payments over the next 6 years resulting in a savings of \$75,660.

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

The State Infrastructure Bank loans were obtained through the Ohio Department of Transportation. These loans are for Williamstown Road, Putnam Parkway and Villa Drive road improvements. The loans will be repaid in semiannual installments over 8 years beginning in 2017. Income tax revenues are the dedicated source of repayment.

Village of Ottawa, Ohio
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2021

The Ohio Public Works Commission (OPWC) 0% loans relate to the Pohl Road sewer extension, Oak Street Pump Station, West Ottawa Pump Station, South Perry Pump Station, Clearwell Bypass for water Treatment, and Lincoln, Jackson, and Buckeye Street Reconstruction. The Pohl Road sewer extension loan will be repaid in semiannual installments of \$8,596 over 20 years. Sewer revenues are the dedicated source of repayment for this loan. The Oak Street Pump Station loan will be repaid in semiannual installments of \$2,881 over 20 years. Sewer revenues are the dedicated source of repayment for this loan.

The West Ottawa Pump Station loan will be paid in semiannual installments of \$8,185 over 20 years. Sewer revenues are the dedicated source of repayment for this loan. The South Perry Street Pump Station loan will be repaid in semiannual payments of \$5,000 over 20 years. Sewer revenues are the dedicated source of repayment for this loan. The Clearwell Bypass loan will be paid in semiannual installments of \$2,500 over 20 years. Water revenues are the dedicated source of repayment for this loan. The Village has entered into a grant/loan agreement with OPWC for the Lincoln, Jackson, and Buckeye Streets Reconstruction project. Construction in 2021 was funded with the grant portion of this funding. When the loan is finalized, semiannual installment payments are estimated at \$3,990 over 25 years. Income Tax revenues are the dedicated source of repayment for this loan.

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

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

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

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

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

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

The OWDA loan #6643 is for a lime sludge project related to water treatment to address Environmental Protection Agency recommendations. This loan will be repaid in semiannual installments including interest, over 20 years. Water receipts secure the loan.

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

The OWDA loan #9503 is for construction of Water Treatment Plant Improvements mandated by EPA to address issues related to Harmful Alga Bloom (HAB). This project is not yet completed nor the loan finalized. The loan will be repaid in semiannual installments over 30 years. Water receipts secure this loan.

Village of Ottawa, Ohio
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Leases

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

The Village entered a lease-purchase agreement on June 16, 2020 with Caterpillar Financial Services Corporation for a Caterpillar Hydraulic Excavator valued at \$80,366. The Village will pay this lease with 59 monthly payments of \$1,466 and one monthly payment of \$1,467 beginning in July 2020.

The Village entered into a lease-purchase agreement on July 17, 2020 with Republic First National for a Spartan Custom Engine with Loose Equipment for Apparatus valued at \$695,073. The Village will pay this lease with ten annual installments of \$81,376 beginning in July 2021.

The Village entered into a lease-purchase agreement on March 29, 2021 with Republic First National in the amount of \$258,947 for a Spartan Custom Rescue Truck. The Village will pay this lease with ten annual installments of \$30,348 beginning in March 2022.

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
2022	\$205,260	\$470,706	\$54,325	\$483,408	\$63,676	\$90,492
2023	205,260	461,251	54,326	486,655	63,676	90,492
2024	205,260	461,916	54,326	441,968	47,757	90,492
2025	196,467	461,427	54,326	387,119		42,259
2026	111,723	254,797	54,326	387,119		42,259
2027-2031	477,241		202,857	1,084,644		
2032-2036			154,887	602,818		
2037-2041			37,500	533,096		
2042-2046				533,097		
2047-2051				426,477		
Total	<u>\$1,401,211</u>	<u>\$2,110,097</u>	<u>\$666,873</u>	<u>\$5,366,401</u>	<u>\$175,109</u>	<u>\$355,994</u>

Village of Ottawa, Ohio
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 10 – Construction and Contractual Commitments

<u>Vendor/Project</u>	<u>Contract Amount</u>	<u>Balance Outstanding 12/31/21</u>
Utility Services TRIS System (Annual Tank Maintenance)	\$ 118,500	\$ 118,500
Poggemeyer Design Group Engineering WTP Improvements	\$ 830,040	\$ 225,644
Peterson Construction Company WTP HAB Project	\$ 7,343,160	\$ 7,343,160
Hohenbrink Excavating Lincoln, Jackson & Buckeye Streets Reconstruction	\$ 451,475	\$ 135,966
Rain Drop Products Splash Pad	\$ 200,000	\$ 200,000

Note 11 – Public Entity Risk Pool

The Village participates in the Ohio Association of Public Treasurers (OAPT) sponsored Workers Compensation Pool in association with Comp Management. OAPT's business affairs are conducted by a Board of Directors with an Executive Committee handling matters between meetings of the Directors. Directors are elected at the annual meeting of members with each Director holding a term of three (3) years. The current Board of Directors consists of nine (9) Directors employed by Villages and Cities across Ohio. Board of Directors member, Patricia Fisher, Clerk/treasurer for the Village of Jefferson, serves as the Workers Comp Coordinator for the association. Each year the participants pay an enrollment fee to the program to cover the costs of administering the program.

Note 12 – Fund Balances

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. At year end the balances of these amounts were as follows:

<u>Fund Balances</u>	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
Outstanding Encumbrances	\$ 251,515	\$ 177,993	\$ 429,508

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

Village of Ottawa, Ohio
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 13 – Miscellaneous Receipts

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

Note 14 – Subsequent Events

At their November 22, 2021 meeting, the Village passed Ordinance No. 21-26 authorizing the execution of a municipal lease-purchase agreement between Santander Bank, N.A., as lessor, and the Village, as lessee, for the purpose of acquiring a dump truck with plow. The ordinance specifies the lease shall not exceed \$159,415 at a rate of 2.80% and the term of the lease shall end not later than five years from the commencement date of the lease. Since the equipment will not be ready until fall 2022, the lease-purchase agreement has not been executed and is not reflected anywhere else in these notes.

Note 15 – 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. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. During 2021, the Village received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated. The Village's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined.

The 2021 activity includes, \$228,200 of COVID-19 (American Rescue Plan) funding. These amounts are reflected as intergovernmental expenditures in the applicable Special Revenue Fund.

Note 16 – 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 17 – Compliance

Contrary to Village Charter, the Village did not bid out a contract in excess of the limit set by the Charter.

Note 18 - Jointly Governed Organization

Regional Income Tax Agency

The Regional Income Tax Agency (RITA) is a regional council of governments formed to establish a central collection facility for the purpose of administering the income tax laws of the members and for the purpose of collecting income taxes on behalf of each member. RITA currently has approximately 350 members in the council of governments. Each member has one representative to the council of governments and is entitled to one vote on items under consideration. RITA is administered by a nine-member board of trustees elected by the members of the council of governments. The board exercises total control over RITA's operation including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the council. For 2021, the Village paid RITA \$17,800 for income tax collection services.

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OHIO AUDITOR OF STATE KEITH FABER



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Columbus, Ohio 43215
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(800) 282-0370

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 of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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, 2021 and the related notes to the financial statements of the Village of Ottawa, Putnam County, Ohio (the Village) and have issued our report thereon dated November 7, 2022, wherein we noted the Village followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(C) permit. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Village.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purposes of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected, on a timely basis. *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 deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings as item 2021-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2021-002.

Village's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Village's responses to the findings identified in our audit and described in the accompanying schedule of findings. The Village's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

November 7, 2022

VILLAGE OF OTTAWA
PUTNAM COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2021

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

FINDING NUMBER 2021-001

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.

We identified the following errors requiring adjustments to the financial statements:

- Principal retirement in the amount of \$207,818 was incorrectly recorded as capital outlay expenditures in the WTP Improvements Fund; and
- Principal retirement in the amount of \$1,185,013 was incorrectly recorded as interest and other fiscal charges in the Bonds, Series 2021 Fund.

These errors were not identified and corrected prior to the Village preparing its financial statements and notes to the financial statements due to deficiencies in the Village's internal controls over financial statement monitoring. Failing to prepare accurate financial statements could lead the Village Council to make misinformed decisions. The accompanying financial statements have been adjusted to correct these errors. In addition to the adjustments noted above, we also identified additional immaterial misstatements ranging from \$332 to \$59,966, which we have brought to the Village's attention.

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 over financial reporting, including a final review of the financial statements and notes to the financial statements by the Fiscal Officer and Village Council to help identify and correct errors and omissions.

Officials' Response:

The Village strives to produce complete and accurate financial statements. As a result of this audit, the Village now has a better understanding of certain reporting and posting issues and will continue to make improvements where needed.

FINDING NUMBER 2021-002

Noncompliance

The Village of Ottawa's **Charter Section 4.14** states that Council shall be permitted to authorize contracts of seventy-five thousand dollars (\$75,000.00) or less without competitive bidding. Such limit may be indexed upward by no more than 3% each year in conjunction with the annual appropriation ordinance to compensate for inflation. Council may provide by ordinance contracting and purchasing procedures for competitive bidding, public advertising, acceptance, rejection and alteration of bids, and modification of contract.

The Village of Ottawa's 2021 annual appropriation ordinance, Ordinance No. 21-03, Section IV permitted Council to authorize contracts of \$92,000 or less without competitive bidding as provided by Section 4.14 of the Village of Ottawa Charter. Due to deficiencies in internal controls, one contract in the amount of \$239,750 for the pipeline rehabilitation project was authorized by the Village Council without any competitive bidding having taken place.

Failure to properly bid out contracts in excess of the limit set by the Village Charter and annual appropriation ordinance could result in unlawful expenditures of Village funds and the Village paying more for material and labor.

The Village should develop policies and procedures to help identify contracts that are subject to competitive bidding requirements.

Officials' Response:

As a result of this audit, the Village now has a better understanding of certain contracting requirements.



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2021

Finding Number	Finding Summary	Status	Additional Information
2020-001	Finding was first reported during the audit of the 2019 financial statements. Material weakness for errors in financial reporting.	Not corrected and reissued as Finding 2021-001 in this report.	This finding reoccurred due to inadequate policies and procedures in reviewing the financial statements prior to filing the Village's annual report.

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OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF OTTAWA

PUTNAM 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 11/22/2022

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