



Dave Yost • Auditor of State

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Ottawa Hills
Lucas County
2125 Richards Road
Ottawa Hills, Ohio 43606

To the Honorable Mayor and Village Council:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Ottawa Hills, Lucas County , Ohio, as of December 31, 2017 and 2016, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the years then ended in accordance with the accounting basis described in Note 2C.

Accounting Basis

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

Other Matters

Other Information

We applied no procedures to management's discussion and analyses as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2018, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

September 26, 2018

Village of Ottawa Hills, Lucas County
Management's Discussion and Analysis
For the Year Ended December 31, 2017
Unaudited

This discussion and analysis of the Village of Ottawa Hills's financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2017, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2017 are as follows:

- Net position of governmental activities increased by \$778,216 or 10.4 percent compared with the prior year. Income Tax receipts came in higher than projected and expenses were below budget, resulting in a significant surplus.
- The Village's general receipts are primarily income and property taxes. These receipts represent 63.7 and 18.6 percent respectively of the total cash received for governmental activities during the year. Income tax receipts increased by \$94,443 or 2.5 percent versus 2016. Property taxes decreased by \$11,755 or 1.0% percent compared with 2016.
- The Village has taken significant steps including contracting for Fire and Dispatch services and other reductions of staff to reduce operating expenses to meet the challenge of the elimination of the estate tax and reduced local government funds from the State of Ohio. The Village's cost reduction efforts resulted in expenses falling significantly below budget.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's cash basis of accounting.

Report Components

The statement of net position and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

Village of Ottawa Hills, Lucas County
Management's Discussion and Analysis
For the Year Ended December 31, 2017
Unaudited

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Village as a Whole

The statement of net position and the statement of activities reflect how the Village did financially during 2017, within the limitations of cash basis accounting. The statement of net position presents the cash balances and investments of the governmental activities of the Village at year end. The Village has no business-type activities. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other non-financial factors as well, such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net position and the statement of activities, all of the Village transactions are categorized as Governmental activities:

Governmental activities - Basic government services, including police, fire, streets and parks are reported here. Income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Village's Most Significant Funds

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are all governmental.

Governmental Funds - All of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General Fund, Road Levy Fund, and the Capital Reserve Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Village of Ottawa Hills, Lucas County
 Management's Discussion and Analysis
 For the Year Ended December 31, 2017
 Unaudited

The Village as a Whole

Table 1 provides a summary of the Village's net position for 2017 compared to 2016 on a cash basis.

(Table 1)
Net Position

	Governmental Activities	
	2017	2016
Assets		
Cash and Cash Equivalents	\$8,255,406	\$7,477,190
Net Position		
Restricted for:		
Capital Projects	1,315,156	848,977
Other Purposes	917,253	985,289
Unrestricted	6,022,997	5,642,924
Total Net Position	\$8,255,406	\$7,477,190

The net position of governmental activities increased \$778,216 in 2017.

Village of Ottawa Hills, Lucas County
Management's Discussion and Analysis
For the Year Ended December 31, 2017
Unaudited

Table 2 reflects the changes in net position for the year ended December 31, 2017 compared to 2016.

(Table 2)
Changes in Net Position

	Governmental Activities		
	2017	2016	Change
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$177,810	\$161,590	\$16,220
Operating Grants and Contributions	321,612	327,079	(5,467)
Capital Grants and Contributions	146,293	403,869	(257,576)
Total Program Receipts	<u>645,715</u>	<u>892,538</u>	<u>(246,823)</u>
General Receipts:			
Property and Other Local Taxes	1,111,174	1,122,929	(11,755)
Income Taxes	3,807,208	3,712,765	94,443
Other Taxes	48,992	51,924	(2,932)
Grants and Entitlements Not Restricted to Specific Programs	164,948	170,824	(5,876)
Interest	117,015	152,258	(35,243)
Miscellaneous	79,859	36,115	43,744
Total General Receipts	<u>5,329,196</u>	<u>5,246,815</u>	<u>82,381</u>
Total Receipts	<u>5,974,911</u>	<u>6,139,353</u>	<u>(164,442)</u>
Disbursements:			
General Government	\$709,157	\$698,489	10,668
Security of Persons and Property:	2,172,531	2,103,037	69,494
Public Health Services	33,713	33,713	0
Leisure Time Activities	465,262	486,388	(21,126)
Basic Utilities	401,006	424,554	(23,548)
Transportation	533,034	461,667	71,367
Capital Outlay	859,750	1,069,110	(209,360)
Principal Retirement	22,242	11,441	10,801
Total Disbursements	<u>5,196,695</u>	<u>5,288,399</u>	<u>(91,704)</u>
Increase in Net Position	778,216	850,954	(72,738)
Net Position Beginning of Year	7,477,190	6,626,236	850,954
Net Position End of Year	<u>\$8,255,406</u>	<u>\$7,477,190</u>	<u>\$778,216</u>

Program receipts represent only 10.8 percent of total receipts in 2017 and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, recreation program fees and federal and state grants. In 2017 our street construction project was smaller than in 2016, so our related grant funds were lower.

General receipts represent 89.2 percent of the Village's total receipts for 2017, and, of this amount, 92.3 percent are local income and property taxes. State and federal grants and entitlements and interest make up the balance of the Village's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of Council, and the

Village of Ottawa Hills, Lucas County
Management's Discussion and Analysis
For the Year Ended December 31, 2017
Unaudited

manager, finance, and income tax departments, as well as internal services such as payroll and purchasing.

Security of Persons and Property are the costs for full-time police, contracted fire services, and other related security expenses. Public Health Services is the cost for the county health department; Leisure Time Activities are the costs of maintaining the parks and the recreation program; Basic Utility Services include refuse, recycling and sewer expenses; and Transportation is the operating cost of maintaining the roads. Capital outlay includes expenditures for road reconstruction projects. Debt Service in 2017 reflects principal expense on ten-year no-interest road construction loans from the state.

Governmental Activities

On the Statement of Activities, the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities in 2017 are for security of persons and property, capital outlay and general government, which account for 41.8, 16.5 and 13.6 percent of all governmental disbursements, respectively. The next three columns of the Statement, entitled Program Cash Receipts, identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

	Governmental Activities			
	Total Cost	Net Cost	Total Cost	Net Cost
	Of Services	of Services	Of Services	of Services
	2017	2017	2016	2016
General Government	\$709,157	\$694,932	\$698,489	\$685,181
Security of Persons and Property	2,172,531	2,105,689	2,103,037	2,029,236
Public Health Services	33,713	33,713	33,713	33,713
Leisure Time Activities	465,262	270,779	486,388	304,406
Basic Utilities	401,006	364,051	424,554	394,274
Transportation	533,034	346,117	461,667	272,369
Capital Outlay	859,750	713,457	1,069,110	665,241
Principal Retirement	22,242	22,242	11,441	11,441
Total Disbursements	\$5,196,695	\$4,550,980	\$5,288,399	\$4,395,861

The dependence upon property and income tax receipts is apparent as 87.6 percent of governmental activities are supported through general receipts in 2017.

The Village's Funds

Total governmental funds had receipts of \$5,974,911 and disbursements of \$5,196,695. The General Fund balance increased \$544,574. The Road Levy Fund balance increased by \$402,242, due in part to transfers for road construction projects. There was no change to the Capital Reserve Fund balance.

Village of Ottawa Hills, Lucas County
Management's Discussion and Analysis
For the Year Ended December 31, 2017
Unaudited

General Fund Budgeting Highlights

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2017, the Village amended its General Fund budget to reflect minor changes in circumstances. Actual receipts exceeded final budgeted receipts by \$616,638 due to higher than projected income tax receipts.

Final disbursements in the General Fund were budgeted at \$4,329,670 while actual disbursements, including encumbrances at year end, were \$3,860,264, or 10.8 percent below budgeted amounts.

Capital Assets and Debt Administration

Capital Assets

The Village does not currently reflect the value of its capital assets and infrastructure in the financial statements. The Village uses other methods, including inventories of equipment, roads and street trees to insure responsible management of municipal assets.

Debt

At December 31, 2017, the Village's outstanding debt consisted of \$147,471 in 10-year, interest-free loans from the Ohio Public Works Commission, which were used for a variety of Village road projects.

Current Issues

The challenge for all local governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. Despite economic challenges, the Village continues to be in a strong financial position. Ottawa Hills is almost completely residential and relies heavily on local taxes. The repeal of the Ohio estate tax as of January 1, 2015, and the continued reduction in other support from the State of Ohio have posed challenges for local governments. Council took action to reduce operating costs and to replace some of the funds used for infrastructure through a property tax levy for road construction, which was passed by the community. The Village Council is committed to a balanced operating budget and continues to review forecasting and take steps to reduce the cost of providing services.

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Karen Urbanik, Finance Director, or Eric Shreve, Clerk/Treasurer, Village of Ottawa Hills, 2125 Richards Road, Ottawa Hills, Ohio 43606.

Village of Ottawa Hills
Lucas County
Statement of Net Position - Cash Basis
December 31, 2017

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$8,255,406
Net Position	
Restricted for:	
Capital Projects	1,315,156
Other Purposes	917,253
Unrestricted	6,022,997
<i>Total Net Position</i>	\$8,255,406

See accompanying notes to the basic financial statements

Village of Ottawa Hills, Ohio
Lucas County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2017

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position	
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental Activities					
Current:					
Security of Persons and Property	\$2,172,531	\$2,557	\$64,285		(\$2,105,689)
Public Health Services	33,713				(33,713)
Leisure Time Activities	465,262	124,073	70,410		(270,779)
Basic Utility Services	401,006	36,955			(364,051)
Transportation	533,034		186,917		(346,117)
General Government	709,157	14,225			(694,932)
Capital Outlay	859,750			\$146,293	(713,457)
Debt Service:					
Principal Retirement	22,242				(22,242)
Total	\$5,196,695	\$177,810	\$321,612	\$146,293	(\$4,550,980)
General Receipts:					
Property Taxes Levied for:					
					455,710
					39,031
					39,031
					577,402
					3,807,208
					48,992
					164,948
					117,015
					79,859
					<u>5,329,196</u>
					778,216
					<u>7,477,190</u>
					<u>\$8,255,406</u>

See accompanying notes to the basic financial statements

Village of Ottawa Hills
Lucas County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2017

	General	Road Levy Fund	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$4,326,981	\$1,098,277	\$1,000,000	\$1,830,148	\$8,255,406
Fund Balances					
Nonspendable	60				60
Restricted		1,098,277		1,134,072	2,232,349
Committed				258,000	258,000
Assigned	585,590		1,000,000	438,076	2,023,666
Unassigned	3,741,331				3,741,331
<i>Total Fund Balances</i>	<u>\$4,326,981</u>	<u>\$1,098,277</u>	<u>\$1,000,000</u>	<u>\$1,830,148</u>	<u>\$8,255,406</u>

See accompanying notes to the basic financial statements

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

	General	Road Levy Fund	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
Receipts					
Municipal Income Taxes	\$3,807,208				\$3,807,208
Property and Other Local Taxes	455,710	\$577,402		\$78,062	1,111,174
Intergovernmental	148,786	80,811		274,460	504,057
Special Assessments				125,595	125,595
Charges for Services	120,695				120,695
Fines, Licenses and Permits	63,217			1,263	64,480
Earnings on Investments	112,335			4,680	117,015
Miscellaneous	124,687				124,687
<i>Total Receipts</i>	<u>4,832,638</u>	<u>658,213</u>		<u>484,060</u>	<u>5,974,911</u>
Disbursements					
Current:					
Security of Persons and Property	1,874,970			297,561	2,172,531
Public Health Services	33,713				33,713
Leisure Time Activities	373,171			92,091	465,262
Basic Utility Services	401,006				401,006
Transportation	296,047			236,987	533,034
General Government	709,157				709,157
Capital Outlay		545,169		314,581	859,750
Debt Service:					
Principal Retirement		10,802		11,440	22,242
<i>Total Disbursements</i>	<u>3,688,064</u>	<u>555,971</u>		<u>952,660</u>	<u>5,196,695</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,144,574</u>	<u>102,242</u>		<u>(468,600)</u>	<u>778,216</u>
Other Financing Sources (Uses)					
Transfers In		300,000		300,000	600,000
Transfers Out	(600,000)				(600,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(600,000)</u>	<u>300,000</u>		<u>300,000</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	544,574	402,242		(168,600)	778,216
<i>Fund Balances Beginning of Year</i>	<u>3,782,407</u>	<u>696,035</u>	<u>\$1,000,000</u>	<u>1,998,748</u>	<u>7,477,190</u>
<i>Fund Balances End of Year</i>	<u>\$4,326,981</u>	<u>\$1,098,277</u>	<u>\$1,000,000</u>	<u>\$1,830,148</u>	<u>\$8,255,406</u>

See accompanying notes to the basic financial statements

Village of Ottawa Hills
Lucas County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Municipal Income Taxes	\$3,300,000	\$3,300,000	\$3,807,208	\$507,208
Property and Other Taxes	460,000	\$455,000	455,710	710
Intergovernmental	150,400	\$143,400	148,786	5,386
Charges for Services	115,000	\$115,000	120,695	5,695
Fines, Licenses and Permits	64,000	\$62,000	63,217	1,217
Earnings on Investments	54,000	\$72,000	112,335	40,335
Miscellaneous	76,600	68,600	124,687	56,087
<i>Total Receipts</i>	4,220,000	4,216,000	4,832,638	616,638
Disbursements				
Current:				
Security of Persons and Property	2,078,932	2,078,932	1,903,808	175,124
Public Health Services	35,000	35,000	33,713	1,287
Leisure Time Activities	400,085	413,085	399,681	13,404
Basic Utility Services	444,057	444,057	416,324	27,733
Transportation	431,555	431,555	362,910	68,645
General Government	905,041	927,041	743,828	183,213
<i>Total Disbursements</i>	4,294,670	4,329,670	3,860,264	469,406
<i>Excess of Receipts Over (Under) Disbursements</i>	(74,670)	(113,670)	972,374	1,086,044
Other Financing (Uses)				
Transfers Out	(600,000)	(600,000)	(600,000)	
<i>Net Change in Fund Balance</i>	(674,670)	(713,670)	372,374	1,086,044
<i>Unencumbered Fund Balance Beginning of Year</i>	3,503,397	3,503,397	3,503,397	
Prior Year Encumbrances Appropriated	279,010	279,010	279,010	
<i>Unencumbered Fund Balance End of Year</i>	\$3,107,737	\$3,068,737	\$4,154,781	\$1,086,044

See accompanying notes to the basic financial statements

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

NOTE 1 – REPORTING ENTITY

The Village of Ottawa Hills, Lucas 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. The Village is directed by a six-member Council elected at large for four year terms. The Mayor is elected to a four-year term, serves as the President of Council and votes only to break a tie.

The reporting entity is comprised of the primary government. There are no component units or other organizations that are required to be included in the financial statements.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, maintenance of Village roads and bridges, park operations, and police and fire services.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in the "Basis of Accounting" section of this note, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Village's accounting policies.

A. Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the Village as a whole. These statements include the financial activities of the Village as a whole. The Village does not have any business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The statement of net position presents the cash balance of the governmental activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Village's general receipts.

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Fund Financial Statements

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

B. Fund Accounting

The Village uses fund accounting 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. Funds are used to segregate resources that are restricted as to use. The Village only has governmental funds.

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Village's major governmental funds are the General Fund, Road Levy Fund and the Capital Reserve Fund.

The **General Fund** is used to account for all financial resources, except those required to be accounted for 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.

The **Road Levy Fund** accounts for road construction projects. It is funded by a voted property tax along with grants from the State of Ohio. The grant funds are restricted to their particular project. Additional monies are transferred to this fund as needed from the General Fund.

The **Capital Reserve Fund** is set up with money that is set aside to show the intent of the Village to fund future capital projects over the next 5 years.

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

C. Basis of Accounting

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

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

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

D. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the certificate of estimated resources, and the appropriations ordinance, both of which are prepared on the budgetary basis of accounting. Lucas County no longer requires submission of a tax budget to the County Budget Commission. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund, department, and category level, i.e. personal services, operating and maintenance, and capital categories, for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year.

E. Cash and Investments

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2017, the Village invested in U.S. Agency Instruments, money market funds, FDIC insured certificates of deposit, certificate of deposit through the CDARS program and STAR Ohio. The U.S. Agency Instruments and certificates of deposit are reported at cost. The Village's money market fund investments are recorded at the amount reported by each institution at December 31, 2017.

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

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

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2017 were \$112,335 which includes \$55,751 assigned from other Village funds.

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Unclaimed monies that are required to be held for five years before they may be utilized by the Village are reported as restricted.

G. Inventory and Prepaid Items

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

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

I. Accumulated Leave

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

J. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Long-Term Obligations

The Village's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

L. Net Position

Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include \$300,307 for Street Construction, \$58,128 for State Highway Improvement, \$11,572 for Law Enforcement, \$7,263 for Drug Enforcement, \$94,280 for Street Lights, \$198,348 for Shade Trees, \$40,464 for Police Pension, \$206,831 for Firemen's Pension and \$60 for Unclaimed Funds.

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

M. Fund Balance

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

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

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

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

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of Village Council. Those committed amounts cannot be used for any other purpose unless Village Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by Village Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Assigned Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by Village Council or a Village official delegated that authority by ordinance, or by State Statute.

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

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

N. Interfund Transactions

Interfund transfers are reported as other financing sources/uses in governmental funds.

NOTE 3 – BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$172,200 for the General Fund.

NOTE 4 – DEPOSITS AND INVESTMENTS

Monies held by the Village are classified by State statute into three categories.

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

NOTE 4 – DEPOSITS AND INVESTMENTS - (CONTINUED)

The Village has adopted an investment policy which is more restrictive than provided for under the Uniform Depository Act, Ohio Revised Code Section 135. This policy has been filed with the State Auditor and annual training is completed as required. Interim monies held by the Village can be deposited or invested in the following securities according to this policy:

It is the intention of the Village of Ottawa Hills to invest Village funds in a manner that:

1. Preserves principal
2. Insures security of funds
3. Maximizes return

To accomplish these goals the Council of the Village of Ottawa Hills adopts the following policies that comply with the Uniform Depository Act, Ohio Revised Code Section 135.

Authorized Investments:	Collateralized Certificates of Deposit Insured Certificates of Deposit Repurchase Agreements – agreements with banks to purchase a security from the bank and resell it to the bank to produce a stated interest rate (securities must be legal investments under the O.R.C. Section 135) U.S Treasuries U.S. Agencies (excluding derivatives) STAR Ohio
Terms of Investments:	Maximum Five (5) Years
Diversification:	May not exceed 50% of invested fund in STAR Ohio May not exceed 40% of invested funds in any one bank

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

At year end, the Village had \$200 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$56,557 of the Village's bank balance of \$614,190 was exposed to custodial credit risk because those deposits were uninsured. These deposits were collateralized through the Ohio Pooled Collateral System (OPCS).

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

NOTE 4 – DEPOSITS AND INVESTMENTS - (CONTINUED)

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

As of December 31, 2017, the Village had the following investments:

	<u>Amount</u>	<u>Maturity</u>
Federal Farm Credit Bank FFCB	\$244,730	11/25/2019
Federal National Mortgage Assoc. securities FNMA	500,009	7/26/2019
Federal Home Loan Mortgage securities FHLMC	300,000	5/22/2020
	251,256	11/25/2020
	<u>273,952</u>	11/27/2020
	825,208	
Federal Home Loan Bank securities FHLB	600,000	11/22/2019
	300,000	5/18/2020
	299,850	6/8/2021
	600,375	9/30/2021
	<u>499,750</u>	6/7/2022
	2,299,975	
<u>Negotiable CD's</u>		
Discover Bank CD	100,000	5/29/2018
Compass Bank CD	245,000	6/11/2018
Capital One McLean CD	147,296	8/13/2018
Synchrony (formerly GE Retail) Bank CD	250,000	5/30/2019
Capital One Virginia CD	101,323	7/15/2019
Comenity Bank CD	100,000	10/15/2019
Discover Bank CD	100,837	12/9/2019
CIT Salt Lake City CD	249,293	12/10/2019
Goldman Sachs CD	203,805	1/21/2020
Ally Bank CD	156,003	4/27/2020
American Express CD	110,624	5/4/2020
Capital One USA CD	250,000	8/19/2020
Everbank CD	150,000	8/28/2020
AMEX Centurion Salt Lake CD	250,076	10/7/2020
JPM Columbus CD	250,000	1/31/2021
Comenity Bank CD	99,303	5/4/2021
Marlin Salt Lake CD	250,000	5/25/2021
Wells Fargo Sioux Falls CD	248,068	6/17/2021
Goldman Sachs CD	50,615	4/12/2022
State Bank Ind New York CD	249,292	5/31/2022
STAR Ohio	90,471	52.1 Days
	<u>\$7,521,928</u>	

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

NOTE 4 – DEPOSITS AND INVESTMENTS - (CONTINUED)

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Village's investment policy addresses interest rate risk by requiring that the Village's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

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

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The U.S. Agency Securities are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the Village's name. The Village has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

NOTE 5 – INCOME TAXES

The Village levies a 1.5 percent income tax whose proceeds are placed into the General Fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. When the taxable income of a resident is subject to income tax in another municipality on the same income taxable under this ordinance, the resident is allowed a credit of the amount of income tax paid on such taxable income to such other municipality, equal to fifty percent (50%) of the amount obtained by multiplying the lower of the tax rate of such other municipality or of this municipality (1.5%) by the taxable income earned in or attributable to the municipality of employment or business activity. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

NOTE 6 – PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property taxes received in 2017 were levied after October 1, 2016, on the assessed values as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due January 31, with the remainder payable by July 31.

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

NOTE 6 – PROPERTY TAXES (CONTINUED)

The full tax rate for all Village operations for the year ended December 31, 2017 was \$4.10 per \$1,000 of assessed value for inside millage and \$3.9 per \$1,000 of assessed value for voted millage for road and bridge repair. The assessed values of real property, public utility property upon which 2017 property tax receipts were based are as follows:

Real Property	
Residential & Agriculture	\$147,054,240
Commercial/Industrial/Mineral	2,928,080
Public Utility Property	
Personal	1,843,880
Tangible Personal Property	
Total Assessed Value	<u>\$151,826,200</u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Village. The County Auditor periodically remits to the Village its portion of the taxes collected.

NOTE 7 – RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance through Ohio Plan Risk Management, Inc (Ohio Plan) for the following risks:

- Comprehensive property and general liability;
- Wrongful acts;
- Law Enforcement;
- Vehicles;
- Errors and omissions
- Inland Marine;
- Electronic Data Processing
- Cyber Coverage; and
- Boiler and Machinery.

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

The Village also provides health insurance to full-time employees through a private carrier. A cafeteria (Section 125) plan is available to eligible employees. Dental insurance is made available on a voluntary basis through a private carrier.

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

NOTE 8 – DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

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

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

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

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

NOTE 8 – DEFINED BENEFIT PENSION PLANS - (CONTINUED)

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements:	Age and Service Requirements:	Age and Service Requirements:
Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula:	Formula:	Formula:
2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Public Safety	Public Safety	Public Safety
Age and Service Requirements:	Age and Service Requirements:	Age and Service Requirements:
Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
Law Enforcement	Law Enforcement	Law Enforcement
Age and Service Requirements:	Age and Service Requirements:	Age and Service Requirements:
Age 52 with 15 years of service credit	Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
Public Safety and Law Enforcement	Public Safety and Law Enforcement	Public Safety and Law Enforcement
Formula:	Formula:	Formula:
2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

NOTE 8 – DEFINED BENEFIT PENSION PLANS - (CONTINUED)

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

	<u>State and Local</u>	<u>Public Safety</u>	<u>Law Enforcement</u>
2017 Statutory Maximum Contribution Rates			
Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	*	**
2017 Actual Contribution Rates			
Employer:			
Pension	13.0 %	17.1 %	17.1 %
Post-employment Health Care Benefits	<u>1.0 %</u>	<u>1.0 %</u>	<u>1.0 %</u>
Total Employer	<u>14.0 %</u>	<u>18.1 %</u>	<u>18.1 %</u>
Employee	<u>10.0 %</u>	<u>12.0 %</u>	<u>13.0 %</u>

* This rate is determined by OPERS' Board and has no maximum rate established by ORC.

** This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

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

The Village's contractually required contribution was \$120,738 for year 2017.

B. Ohio Police and Fire Pension Fund

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

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

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

NOTE 8 – DEFINED BENEFIT PENSION PLANS - (CONTINUED)

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit (see OPF CAFR referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits):

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit, surviving beneficiaries, and statutory survivors.

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

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

	Police	Firefighters
2017 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
 2017 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50 %	0.50 %
Total Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The Village's contractually required contribution to OPF was \$158,526 for 2017.

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

NOTE 9 - POST EMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. This trust is also used to fund health care for Member-Directed Plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member-Directed Plan participants may be eligible for reimbursement for qualified medical expenses from their vested RMA balance.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. Please see the Plan Statement in the OPERS 2016 CAFR for details.

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

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml#CAFR>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

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

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

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. As recommended by the OPERS' actuary, the portion of the employer contributions allocated to health care beginning January 1, 2018 decreased to 0.0% for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

NOTE 9 - POST EMPLOYMENT BENEFITS – (CONTINUED)

provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited for Member-Directed Plan participants for 2017 was 4.0 percent.

Substantially all of the Village's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2017, 2016, and 2015 was \$8,583, \$16,350, \$20,736, respectively. For 2017, 91.1 percent has been contributed. The full amount has been contributed for 2016 and 2015.

B. Ohio Police and Fire Pension Fund

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

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

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

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

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

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

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

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

NOTE 9 - POST EMPLOYMENT BENEFITS – (CONTINUED)

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

The Village's contributions to OPF which were allocated to fund post-employment health care benefits for police was \$4,065 for the year ended December 31, 2017, \$3,907 for the year ended December 31, 2016, and \$3,385 for the year ended December 14, 2015. The full amount has been contributed for 2017, 2016 and 2015.

NOTE 10 – DEBT

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

<u>Governmental Activities</u>	<u>Interest Rate</u>	<u>Balance December 31, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2017</u>	<u>Due Within One Year</u>
2012 OPWC Loan CTB8M Original Amount \$24,388	0%	\$12,193		\$2,439	\$9,754	\$2,439
2012 OPWC Loan CT44N Original Amount \$90,014	0%	49,506		9,002	40,504	9,002
2017 OPWC Loan CL24S Original Amount \$108,014	0%	108,014		10,801	97,213	10,801
Total		<u>\$169,713</u>		<u>\$22,242</u>	<u>\$147,471</u>	<u>\$22,242</u>

The OPWC 2017 CL24S loan related to road rehabilitation on Talmadge Road and Bonniebrook Road. The 2017 CL24S OPWC loan totals \$108,014. The loan will be repaid in semi-annual installments of \$5,400.70 principal only payments, over 10 years.

The OPWC 2012 CTB8M loan related to pavement and storm sewer repairs to Bancroft Street. The 2012 CTB8M OPWC loan totals \$24,388. The loan will be repaid in semi-annual installments of \$1,219.39, principal only payments, over 10 years.

The OPWC 2012 CT44N loan related to a storm sewer rehabilitation project. The 2012 CT44N OPWC loan totals \$90,014. The loan will be repaid in semi-annual installments of \$4,500.68, principal only payments, over 10 years

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

NOTE 10 – DEBT (CONTINUED)

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

<u>Debt Service Requirements</u> <u>Year ending December 31:</u>	<u>OPWC Loans</u> <u>Principal</u>
2018	\$ 22,242
2019	22,242
2020	22,242
2021	22,240
2022	15,301
2023-2026	<u>43,204</u>
Total	<u><u>\$ 147,471</u></u>

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2017, were an overall debt margin of \$15,794,280 and an unvoted debt margin of \$8,350,441.

NOTE 11 – INTERFUND TRANSFERS

During 2017 the following transfers were made:

Transfers from the General Fund to:	
Capital Projects Fund	\$150,000
Road Levy Fund	300,000
Other Governmental Funds	<u>150,000</u>
Total Transfers	<u><u>\$600,000</u></u>

General Fund Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 12 – CONSTRUCTION AND CONTRACTUAL COMMITMENTS

The Village has no significant contracts encumbered as of December 31, 2017.

Village of Ottawa Hills, Lucas County
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

This discussion and analysis of the Village of Ottawa Hills's financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2016, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2016 are as follows:

- Net position of governmental activities increased by \$850,954 or 12.8 percent compared with the prior year. Income Tax receipts came in higher than projected and expenses were below budget, resulting in a significant surplus.
- The Village's general receipts are primarily income and property taxes. These receipts represent 60.5 and 18.3 percent respectively of the total cash received for governmental activities during the year. Income tax receipts increased by \$417,958 or 12.7 percent versus 2015. Property taxes increased by \$55,676 or 5.2% percent compared with 2015.
- The Village has taken significant steps including contracting for Fire and Dispatch services and other reductions of staff to reduce operating expenses to meet the challenge of the elimination of the estate tax and reduced local government funds from the State of Ohio. The Village's cost reduction efforts combined with lower expenses for insurance, salt and snow removal, fuel, etc. resulted in lower operating costs for the seventh straight year.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's cash basis of accounting.

Report Components

The statement of net position and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

Village of Ottawa Hills, Lucas County
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Village as a Whole

The statement of net position and the statement of activities reflect how the Village did financially during 2016, within the limitations of cash basis accounting. The statement of net position presents the cash balances and investments of the governmental activities of the Village at year end. The Village has no business-type activities. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other non-financial factors as well, such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net position and the statement of activities, all of the Village transactions are categorized as Governmental activities:

Governmental activities - Basic government services, including police, fire, streets and parks are reported here. Income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Village's Most Significant Funds

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are all governmental.

Governmental Funds - All of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General Fund, Road Levy Fund, and the Capital Reserve Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Village of Ottawa Hills, Lucas County
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

The Village as a Whole

Table 1 provides a summary of the Village's net position for 2016 compared to 2015 on a cash basis.

(Table 1)
Net Position

	Governmental Activities	
	2016	2015
Assets		
Cash and Cash Equivalents	\$7,477,190	\$6,626,236
Net Position		
Restricted for:		
Capital Projects	848,977	479,535
Other Purposes	985,289	1,039,120
Unrestricted	5,642,924	5,107,581
Total Net Position	\$7,477,190	\$6,626,236

The net position of governmental activities increased \$850,954 in 2016.

Village of Ottawa Hills, Lucas County
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

Table 2 reflects the changes in net position for the year ended December 31, 2016 compared to 2015.

Changes in Net Position

	Governmental Activities		
	2016	2015	Change
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$161,590	\$177,480	(\$15,890)
Operating Grants and Contributions	327,079	281,924	45,155
Capital Grants and Contributions	403,869	251,584	152,285
Total Program Receipts	<u>892,538</u>	<u>710,988</u>	<u>181,550</u>
General Receipts:			
Property and Other Local Taxes	1,122,929	1,067,253	55,676
Income Taxes	3,712,765	3,294,807	417,958
Other Taxes	51,924	51,112	812
Grants and Entitlements Not Restricted to Specific Programs	170,824	184,071	(13,247)
Interest	152,258	50,571	101,687
Miscellaneous	36,115	45,558	(9,443)
Total General Receipts	<u>5,246,815</u>	<u>4,693,372</u>	<u>553,443</u>
Total Receipts	<u>6,139,353</u>	<u>5,404,360</u>	<u>734,993</u>
Disbursements:			
General Government	\$698,489	\$681,641	16,848
Security of Persons and Property:	2,103,037	2,119,222	(16,185)
Public Health Services	33,713	33,713	0
Leisure Time Activities	486,388	448,576	37,812
Basic Utilities	424,554	475,442	(50,888)
Transportation	461,667	944,040	(482,373)
Capital Outlay	1,069,110	995,272	73,838
Principal Retirement	11,441	52,942	(41,501)
Total Disbursements	<u>5,288,399</u>	<u>5,750,848</u>	<u>(462,449)</u>
Increase in Net Position	850,954	(346,488)	1,197,442
Net Position Beginning of Year	6,626,236	6,972,724	(346,488)
Net Position End of Year	<u>\$7,477,190</u>	<u>\$6,626,236</u>	<u>\$850,954</u>

Program receipts represent only 14.5 percent of total receipts in 2016 and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, recreation program fees and federal and state grants.

General receipts represent 85.5 percent of the Village's total receipts for 2016, and, of this amount, 92.2 percent are local income and property taxes. State and federal grants and entitlements and interest make up the balance of the Village's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of Council, and the

Village of Ottawa Hills, Lucas County
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

manager, finance, and income tax departments, as well as internal services such as payroll and purchasing.

Security of Persons and Property are the costs for full-time police, contracted fire services, and other related security expenses. Public Health Services is the cost for the county health department; Leisure Time Activities are the costs of maintaining the parks and the recreation program; Basic Utility Services include refuse, recycling and sewer expenses; and Transportation is the operating cost of maintaining the roads. Capital outlay includes expenditures for road reconstruction projects. Debt Service in 2016 reflects principal expense on ten-year no-interest road construction loans from the state.

Governmental Activities

On the Statement of Activities, the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities in 2016 are for security of persons and property, capital outlay and general government, which account for 39.8, 20.2 and 13.2 percent of all governmental disbursements, respectively. The next three columns of the Statement, entitled Program Cash Receipts, identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

	Governmental Activities			
	Total Cost Of Services	Net Cost of Services	Total Cost Of Services	Net Cost of Services
	2016	2016	2015	2015
	<u>2016</u>	<u>2016</u>	<u>2015</u>	<u>2015</u>
General Government	\$698,489	\$685,181	\$681,641	\$664,522
Security of Persons and Property	2,103,037	2,029,236	2,119,222	2,030,171
Public Health Services	33,713	33,713	33,713	33,713
Leisure Time Activities	486,388	304,406	448,576	322,472
Basic Utilities	424,554	394,274	475,442	437,628
Transportation	461,667	272,369	944,040	754,724
Capital Outlay	1,069,110	665,241	995,272	743,688
Principal Retirement	11,441	11,441	52,942	52,942
Total Disbursements	<u>\$5,288,399</u>	<u>\$4,395,861</u>	<u>\$5,750,848</u>	<u>\$5,039,860</u>

The dependence upon property and income tax receipts is apparent as 83.1 percent of governmental activities are supported through general receipts in 2016.

The Village's Funds

Total governmental funds had receipts of \$6,139,353 and disbursements of \$5,288,399. The General Fund balance increased \$247,646. The Road Levy Fund balance increased by \$483,601 due in part to transfers for road construction projects. There was no change to the Capital Reserve Fund balance.

Village of Ottawa Hills, Lucas County
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

General Fund Budgeting Highlights

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2016, the Village amended its General Fund budget to reflect minor changes in circumstances. Actual receipts exceeded final budgeted receipts by \$583,907 due to higher than expected income tax and interest receipts.

Final disbursements in the General Fund were budgeted at \$4,262,491 while actual disbursements, including encumbrances at year end, were \$3,899,971, or 8.5 percent below budgeted amounts.

Capital Assets and Debt Administration

Capital Assets

The Village does not currently reflect the value of its capital assets and infrastructure in the financial statements. The Village uses other methods, including inventories of equipment, roads and street trees to insure responsible management of municipal assets.

Debt

At December 31, 2016, the Village's outstanding debt consisted of \$169,713 in 10-year, interest-free loans from the Ohio Public Works Commission, which were used for a variety of Village road projects.

Current Issues

The challenge for all local governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. Despite a difficult economic environment, the Village continues to be in a strong financial position. Ottawa Hills is almost completely residential and relies heavily on local taxes. A recent challenge is the repeal of the Ohio estate tax as of January 1, 2015, which was a source for infrastructure repairs. Council took action to replace some of these funds by proposing a property tax levy for road construction, which was passed by the community. The Village Council is committed to a balanced operating budget and continues to review forecasting and take steps to reduce the cost of providing services.

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Karen Urbanik, Finance Director, or Eric Shreve, Clerk/Treasurer, Village of Ottawa Hills, 2125 Richards Road, Ottawa Hills, Ohio 43606.

Village of Ottawa Hills
Lucas County
Statement of Net Position - Cash Basis
December 31, 2016

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$7,477,190
 Net Position	
Restricted for:	
Capital Projects	848,977
Other Purposes	985,289
Unrestricted	5,642,924
<i>Total Net Position</i>	\$7,477,190

See accompanying notes to the basic financial statements

Village of Ottawa Hills
Lucas County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2016

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position	
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental Activities					
Current:					
Security of Persons and Property	\$2,103,037	\$5,666	\$68,135		(\$2,029,236)
Public Health Services	33,713				(33,713)
Leisure Time Activities	486,388	112,336	69,646		(304,406)
Basic Utility Services	424,554	30,280			(394,274)
Transportation	461,667		189,298		(272,369)
General Government	698,489	13,308			(685,181)
Capital Outlay	1,069,110			\$403,869	(665,241)
Debt Service:					
Principal Retirement	11,441				(11,441)
Total	\$5,288,399	\$161,590	\$327,079	\$403,869	(\$4,395,861)

General Receipts:

Property Taxes Levied for:

General Purposes	460,473
Police Pension	39,439
Fire Pension	39,439
Capital Outlay	583,578
Income Taxes	3,712,765
Other Local Taxes	51,924
Grants and Entitlements not Restricted to Specific Programs	170,824
Earnings on Investments	152,258
Miscellaneous	36,115

Total General Receipts 5,246,815

Change in Net Position 850,954

Net Position Beginning of Year 6,626,236

Net Position End of Year \$7,477,190

See accompanying notes to the basic financial statements

Village of Ottawa Hills
Lucas County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2016

	General	Road Levy Fund	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$3,782,407	\$696,035	\$1,000,000	\$1,998,748	\$7,477,190
Fund Balances					
Nonspendable	140				140
Restricted		696,035		1,138,091	1,834,126
Committed				329,471	329,471
Assigned	674,670		1,000,000	531,186	2,205,856
Unassigned	3,107,597				3,107,597
<i>Total Fund Balances</i>	<u>\$3,782,407</u>	<u>\$696,035</u>	<u>\$1,000,000</u>	<u>\$1,998,748</u>	<u>\$7,477,190</u>

See accompanying notes to the basic financial statements

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

	General	Road Levy Fund	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
Receipts					
Municipal Income Taxes	\$3,712,765				\$3,712,765
Property and Other Local Taxes	460,473	\$583,578		\$78,878	1,122,929
Intergovernmental	150,799	296,285		211,280	658,364
Special Assessments				125,295	125,295
Charges for Services	111,205				111,205
Fines, Licenses and Permits	65,232			1,325	66,557
Earnings on Investments	146,167			6,091	152,258
Miscellaneous	81,966				81,966
<i>Total Receipts</i>	<u>4,728,607</u>	<u>879,863</u>		<u>422,869</u>	<u>6,031,339</u>
Disbursements					
Current:					
Security of Persons and Property	1,809,003			294,034	2,103,037
Public Health Services	33,713				33,713
Leisure Time Activities	382,426			103,962	486,388
Basic Utility Services	424,554				424,554
Transportation	272,776			188,891	461,667
General Government	698,489				698,489
Capital Outlay		814,276		254,834	1,069,110
Debt Service:					
Principal Retirement				11,441	11,441
<i>Total Disbursements</i>	<u>3,620,961</u>	<u>814,276</u>		<u>853,162</u>	<u>5,288,399</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,107,646</u>	<u>65,587</u>		<u>(430,293)</u>	<u>742,940</u>
Other Financing Sources (Uses)					
Loan proceeds		108,014			108,014
Transfers In		310,000		550,000	860,000
Transfers Out	(860,000)				(860,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(860,000)</u>	<u>418,014</u>		<u>550,000</u>	<u>108,014</u>
<i>Net Change in Fund Balances</i>	247,646	483,601		119,707	850,954
<i>Fund Balances Beginning of Year</i>	<u>3,534,761</u>	<u>212,434</u>	<u>\$1,000,000</u>	<u>1,879,041</u>	<u>6,626,236</u>
<i>Fund Balances End of Year</i>	<u>\$3,782,407</u>	<u>\$696,035</u>	<u>\$1,000,000</u>	<u>\$1,998,748</u>	<u>\$7,477,190</u>

See accompanying notes to the basic financial statements

Village of Ottawa Hills
Lucas County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Municipal Income Taxes	\$3,200,000	\$3,200,000	\$3,712,765	\$512,765
Property and Other Taxes	460,000	\$460,000	460,473	473
Intergovernmental	143,500	\$143,500	150,799	7,299
Charges for Services	115,000	\$111,000	111,205	205
Fines, Licenses and Permits	64,000	\$61,000	65,232	4,232
Earnings on Investments	70,200	\$94,700	146,167	51,467
Miscellaneous	92,000	74,500	81,966	7,466
<i>Total Receipts</i>	4,144,700	4,144,700	4,728,607	583,907
Disbursements				
Current:				
Security of Persons and Property	2,029,473	2,014,473	1,837,495	176,978
Public Health Services	38,800	33,800	33,713	87
Leisure Time Activities	413,240	423,240	397,551	25,689
Basic Utility Services	448,348	458,348	436,561	21,787
Transportation	417,372	409,372	344,156	65,216
General Government	932,258	923,258	850,495	72,763
<i>Total Disbursements</i>	4,279,491	4,262,491	3,899,971	362,520
<i>Excess of Receipts Over (Under) Disbursements</i>	(134,791)	(117,791)	828,636	946,427
Other Financing (Uses)				
Transfers Out	(630,000)	(860,000)	(860,000)	
<i>Net Change in Fund Balance</i>	(764,791)	(977,791)	(31,364)	946,427
<i>Unencumbered Fund Balance Beginning of Year</i>	3,227,695	3,227,695	3,227,695	
Prior Year Encumbrances Appropriated	307,066	307,066	307,066	
<i>Unencumbered Fund Balance End of Year</i>	\$2,769,970	\$2,556,970	\$3,503,397	\$946,427

See accompanying notes to the basic financial statements

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

NOTE 1 – REPORTING ENTITY

The Village of Ottawa Hills, Lucas 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. The Village is directed by a six-member Council elected at large for four year terms. The Mayor is elected to a four-year term, serves as the President of Council and votes only to break a tie.

The reporting entity is comprised of the primary government. There are no component units or other organizations that are required to be included in the financial statements.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, maintenance of Village roads and bridges, park operations, and police and fire services.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2 C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Village's accounting policies.

A. Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the Village as a whole. These statements include the financial activities of the Village as a whole. The Village does not have any business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The statement of net position presents the cash balance of the governmental activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Village's general receipts.

Fund Financial Statements

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

B. Fund Accounting

The Village uses fund accounting 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. Funds are used to segregate resources that are restricted as to use. The Village only has governmental funds.

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Village's major governmental funds are the General Fund, Road Levy Fund and the Capital Reserve Fund. The General Fund is used to account for all financial resources, except those required to be accounted for 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. The Road Levy Fund accounts for road construction projects. It is funded by a voted property tax along with grants from the State of Ohio. The grant funds are restricted to their particular project. Additional monies are transferred to this fund as needed from the General Fund.

The Capital Reserve Fund is set up with money that is set aside to show the intent of the Village to fund future capital projects over the next 5 years. The other governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose.

C. Basis of Accounting

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

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

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

D. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the certificate of estimated resources, and the appropriations ordinance, both of which are prepared on the budgetary basis of accounting. Lucas County no longer requires submission of a tax budget to the County Budget Commission. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund, department, and category level, i.e. personal services, operating and maintenance, and capital categories, for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year.

E. Cash and Investments

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2016, the Village invested in U.S. Agency Instruments, money market funds, FDIC insured certificates of deposit, certificate of deposit through the CDARS program and STAR Ohio. The U.S. Agency Instruments and certificates of deposit are reported at cost. The Village's money market fund investments are recorded at the amount reported by each institution at December 31, 2016.

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

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

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2016 were \$146,167 which includes \$69,151 assigned from other Village funds.

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation.

G. Inventory and Prepaid Items

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

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

I. Accumulated Leave

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

J. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Long-Term Obligations

The Village's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

L. Net Position

Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include \$344,970 for Street Construction, \$58,854 for State Highway Improvement, \$10,500 for Law Enforcement, \$7,284 for Drug Enforcement, \$107,390 for Street Lights, \$170,029 for Shade Trees, \$54,473 for Police Pension, \$231,649 for Firemen's Pension and \$140 for Unclaimed Funds.

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

M. Fund Balance

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

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

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

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

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of Village Council. Those committed amounts cannot be used for any other purpose unless Village Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by Village Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Assigned Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by Village Council or a Village official delegated that authority by ordinance, or by State Statute.

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

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

N. Interfund Transactions

Interfund transfers are reported as other financing sources/uses in governmental funds.

NOTE 3 – BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$279,010 for the General Fund.

NOTE 4 – DEPOSITS AND INVESTMENTS

Monies held by the Village are classified by State statute into three categories.

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

NOTE 4 – DEPOSITS AND INVESTMENTS - (CONTINUED)

The Village has adopted an investment policy which is more restrictive than provided for under the Uniform Depository Act, Ohio Revised Code Section 135. This policy has been filed with the State Auditor and annual training is completed as required. Interim monies held by the Village can be deposited or invested in the following securities according to this policy:

It is the intention of the Village of Ottawa Hills to invest Village funds in a manner that:

1. Preserves principal
2. Insures security of funds
3. Maximizes return

To accomplish these goals the Council of the Village of Ottawa Hills adopts the following policies that comply with the Uniform Depository Act, Ohio Revised Code Section 135.

Authorized Investments:	Collateralized Certificates of Deposit Insured Certificates of Deposit Repurchase Agreements – agreements with banks to purchase a security from the bank and resell it to the bank to produce a stated interest rate (securities must be legal investments under the O.R.C. Section 135) U.S Treasuries U.S. Agencies (excluding derivatives) STAR Ohio
Terms of Investments:	Maximum Five (5) Years
Diversification:	May not exceed 50% of invested fund in STAR Ohio May not exceed 40% of invested funds in any one bank

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

At year end, the Village had \$200 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$321,718 of the Village's bank balance of \$574,210 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

NOTE 4 – DEPOSITS AND INVESTMENTS - (CONTINUED)

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

As of December 31, 2016, the Village had the following investments:

	<u>Amount</u>	<u>Maturity</u>
Federal National Mortgage Assoc. securities FNMA	\$500,009	7/26/2019
Federal Home Loan Mortgage securities FHLMC	251,256	11/25/2020
	<u>273,952</u>	11/27/2020
	525,208	
Federal Home Loan Bank securities FHLB	600,000	11/22/2019
	300,000	5/18/2020
	299,850	6/8/2021
	<u>600,376</u>	9/30/2021
	1,800,226	
<u>Negotiable CD's</u>		
Ally Bank CD	250,000	6/12/2017
Capital One USA CD	250,000	8/19/2020
Capital One Virginia CD	250,000	10/16/2018
Comenity Bank CD	100,000	10/15/2019
Compass Bank CD	245,000	6/11/2018
Discover Bank CD	100,000	5/29/2018
Discover Bank CD	50,000	4/18/2017
Everbank CD	150,000	8/28/2020
GE Retail Bank CD	250,000	5/30/2019
Goldman Sachs CD	50,000	4/17/2017
Goldman Sachs CD	198,000	5/30/2017
Marlin Salt Lake CD	250,000	5/25/2021
Wells Fargo Sioux Falls CD	248,068	6/17/2021
STAR Ohio	1,305,298	51.6 Days
Morgan Stanley Gov Securities Mutual Fund	19,777	37 Days
	<u>\$6,541,586</u>	

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

NOTE 4 – DEPOSITS AND INVESTMENTS - (CONTINUED)

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Village's investment policy addresses interest rate risk by requiring that the Village's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

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

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The U.S. Agency Securities are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the Village's name. The Village has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

NOTE 5 – INCOME TAXES

The Village levies a 1.5 percent income tax whose proceeds are placed into the General Fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. When the taxable income of a resident is subject to income tax in another municipality on the same income taxable under this ordinance, the resident is allowed a credit of the amount of income tax paid on such taxable income to such other municipality, equal to fifty percent (50%) of the amount obtained by multiplying the lower of the tax rate of such other municipality or of this municipality (1.5%) by the taxable income earned in or attributable to the municipality of employment or business activity. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

NOTE 6 – PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property taxes received in 2016 were levied after October 1, 2015, on the assessed values as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due January 31, with the remainder payable by July 31.

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

NOTE 6 – PROPERTY TAXES (CONTINUED)

The full tax rate for all Village operations for the year ended December 31, 2016 was \$4.10 per \$1,000 of assessed value for inside millage and \$3.9 per \$1,000 of assessed value for voted millage for road and bridge repair. The assessed values of real property, public utility property upon which 2016 property tax receipts were based are as follows:

Real Property	
Residential & Agriculture	\$147,272,680
Commercial/Industrial/Mineral	2,937,600
Public Utility Property	
Personal	1,753,570
Tangible Personal Property	
Total Assessed Value	<u><u>\$151,963,850</u></u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Village. The County Auditor periodically remits to the Village its portion of the taxes collected.

NOTE 7 – RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Wrongful acts;
- Law Enforcement;
- Vehicles;
- Errors and omissions
- Inland Marine;
- Electronic Data Processing; and
- Boiler and Machinery.

The Village also provides health insurance to full-time employees through a private carrier. A cafeteria (Section 125) plan is available to eligible employees. Dental insurance is made available on a voluntary basis through a private carrier.

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

NOTE 8 – DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

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

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

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

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

NOTE 8 – DEFINED BENEFIT PENSION PLANS - (CONTINUED)

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Public Safety	Public Safety	Public Safety
Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
Law Enforcement	Law Enforcement	Law Enforcement
Age and Service Requirements: Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
Public Safety and Law Enforcement	Public Safety and Law Enforcement	Public Safety and Law Enforcement
Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

NOTE 8 – DEFINED BENEFIT PENSION PLANS - (CONTINUED)

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

	<u>State and Local</u>	<u>Public Safety</u>	<u>Law Enforcement</u>
2016 Statutory Maximum Contribution Rates			
Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	*	**
2016 Actual Contribution Rates			
Employer:			
Pension	12.0 %	16.1 %	16.1 %
Post-employment Health Care Benefits	<u>1.0 %</u>	<u>2.0 %</u>	<u>2.0 %</u>
Total Employer	<u>13.0 %</u>	<u>18.1 %</u>	<u>18.1 %</u>
Employee	<u>10.0 %</u>	<u>12.0 %</u>	<u>13.0 %</u>

* This rate is determined by OPERS' Board and has no maximum rate established by ORC.

** This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

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

The Village's contractually required contribution was \$116,323 for year 2016.

B. Ohio Police and Fire Pension Fund

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

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

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

NOTE 8 – DEFINED BENEFIT PENSION PLANS - (CONTINUED)

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

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

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

	Police	Firefighters
2016 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
 2016 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50 %	0.50 %
Total Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The Village's contractually required contribution to OPF was \$142,465 for 2016.

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

NOTE 9 - POST EMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

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

OPERS maintained two cost-sharing, multiple-employer defined benefit postemployment health care trusts, which funded multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

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

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

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

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

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

At the beginning of 2016, OPERS maintained three health care trusts. The two cost-sharing, multiple employer trusts, the 401(h) Health Care Trust (401(h) Trust) and the 115 Health Care Trust (115 Trust), worked together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. Each year, the OPERS Board of Trustees determines the portion of the employer contributions rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0 percent for both the Traditional Pension and Combined plans. The Board is also authorized to establish

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

NOTE 9 - POST EMPLOYMENT BENEFITS – (CONTINUED)

rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) Trust that provides funding for a Retiree Medical Account (RMA) for Member-Directed Plan members. The employer contribution as a percentage of covered payroll deposited to the RMAs for 2016 was 4.0 percent.

In March 2016, OPERS received two favorable rulings from the IRS allowing OPERS to consolidate all health care assets into the 115 Trust. Transition to the new health care trust structure occurred during 2016. OPERS Combining Statements of Changes in Fiduciary Net Position for the year ended December 31, 2016, will reflect a partial year of activity in the 401(h) Trust and VEBA Trust prior to the termination of these trusts as of end of business day June 30, 2016, and the assets and liabilities, or net position, of these trusts being consolidated into the 115 Trust on July 1, 2016.

Substantially all of the Village's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2016, 2015, and 2014 was \$16,350, \$20,736 and \$25,816, respectively. For 2016, 91.2 percent has been contributed. The full amount has been contributed for 2015 and 2014.

B. Ohio Police and Fire Pension Fund

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

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

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

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

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

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

NOTE 9 - POST EMPLOYMENT BENEFITS – (CONTINUED)

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

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

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

The Village's contributions to OPF which were allocated to fund post-employment health care benefits for police was \$3,907 for the year ended December 31, 2016, \$3,385 for the year ended December 31, 2015, and \$3,524 for the year ended December 14, 2014. The full amount has been contributed for 2016, 2015 and 2014.

NOTE 10 – DEBT

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

	Interest Rate	Balance December 31, 2015	Additions	Reductions	Balance December 31, 2016	Due Within One Year
<u>Governmental Activities</u>						
2012 OPWC Loan CTB8M Original Amount \$24,388	0%	\$14,632		\$2,439	\$12,193	\$2,439
2012 OPWC Loan CT44N Original Amount \$90,014	0%	58,508		9,002	49,506	9,002
2016 OPWC Loan CL24S Original Amount \$108,014	0%		\$108,014		108,014	10,801
Total		\$73,140	\$108,014	\$11,441	\$169,713	\$22,242

The OPWC 2016 CL24S loan related to road rehabilitation on Talmadge Road and Bonniebrook Road. The 2017 CL24S OPWC loan totals \$108,014. The loan will be repaid in semi-annual installments of \$5,400.70 principal only payments, over 10 years.

The OPWC 2012 CTB8M loan related to pavement and storm sewer repairs to Bancroft Street. The 2012 CTB8M OPWC loan totals \$24,388. The loan will be repaid in semi-annual installments of \$1,219, principal only payments, over 10 years.

**VILLAGE OF OTTAWA HILLS
LUCAS COUNTY**

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

NOTE 10 – DEBT (CONTINUED)

The OPWC 2012 CT44N loan related to a storm sewer rehabilitation project. The 2012 CT44N OPWC loan totals \$90,014. The loan will be repaid in semi-annual installments of \$4,501, principal only payments, over 10 years

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

<u>Debt Service Requirements</u> <u>Year ending December 31:</u>	<u>OPWC Loans</u> <u>Principal</u>
2017	\$ 22,242
2018	22,242
2019	22,242
2020	22,240
2021	22,240
2022-2026	<u>58,507</u>
Total	<u><u>\$ 169,713</u></u>

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2016, were an overall debt margin of \$15,894,505 and an unvoted debt margin of \$8,358,012.

NOTE 11 – INTERFUND TRANSFERS

During 2016 the following transfers were made:

Transfers from the General Fund to:	
Capital Projects Fund	\$500,000
Road Levy Fund	310,000
Other Governmental Funds	<u>50,000</u>
Total Transfers	<u><u>\$860,000</u></u>

General Fund Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 12 – CONSTRUCTION AND CONTRACTUAL COMMITMENTS

The Village has no significant contracts encumbered as of December 31, 2016.



Dave Yost • Auditor of State

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

Village of Ottawa Hills
Lucas County
2125 Richards Road
Ottawa Hills, Ohio 43560

To the Honorable Mayor and Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Ottawa Hills, Lucas County, Ohio (the Village) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated September 26, 2018, wherein we noted the Village uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2017-001 to be a material weakness.

Compliance and Other Matters

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

Village's Response to Findings

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the Village's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

September 26, 2018

VILLAGE OF OTTAWA HILLS
LUCAS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016

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

FINDING NUMBER 2017-001

Material Weakness – Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Accurate financial reporting is the responsibility of management and is essential to ensure the information provided to readers of the financial statements accurately reflects the Village's activity. Proceeds of \$108,014 for an OPWC loan were recorded as Intergovernmental Receipts in the Road Levy Fund during 2016. This amount was reclassified as Loan Proceeds on the financial statements.

This error was not identified and corrected prior to the Village preparing its financial statements and footnotes due to deficiencies in the Village's internal controls over financial statement monitoring. The accompanying financial statements have been adjusted to correct this error.

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

Officials' Response:

We have taken steps to ensure that OPWC loan revenues are separated from OPWC grant revenues and recorded in the appropriate account.

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VILLAGE OF OTTAWA HILLS
LUCAS COUNTY

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

Finding Number	Finding Summary	Status	Additional Information
2015-001	Material Weakness- Financial Statement Presentation	Not corrected and repeated as Finding 2017-001 in this report.	The Village is implementing procedures to correct these errors for the future.

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VILLAGE OF OTTAWA HILLS

LUCAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
OCTOBER 11, 2018