



Dave Yost • Auditor of State

VILLAGE OF ELMORE
OTTAWA COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Elmore
Ottawa County
344 Rice Street, P.O. Box 3
Elmore, Ohio 43416-0003

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Elmore, Ottawa County, Ohio (the Village) as of and for the years ended December 31, 2015 and 2014.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2015 and 2014, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Elmore, Ottawa County, Ohio as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2017, 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

March 23, 2017

VILLAGE OF ELMORE
OTTAWA COUNTY

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$172,920	\$152,431		\$325,351
Municipal Income Tax	302,780		\$359,472	662,252
Intergovernmental	45,558	88,746		134,304
Charges for Services	9,069			9,069
Fines, Licenses and Permits	13,984	335		14,319
Earnings on Investments	5,423	436		5,859
Miscellaneous	12,927	2,780		15,707
<i>Total Cash Receipts</i>	<u>562,661</u>	<u>244,728</u>	<u>359,472</u>	<u>1,166,861</u>
Cash Disbursements				
Current:				
Security of Persons and Property	388,352	750		389,102
Public Health Services	3,667			3,667
Leisure Time Activities	19,289			19,289
Community Environment	8,255			8,255
Basic Utility Services		65,840	43,634	109,474
Transportation		211,145		211,145
General Government	233,119			233,119
Debt Service:				
Principal Retirement			226,953	226,953
<i>Total Cash Disbursements</i>	<u>652,682</u>	<u>277,735</u>	<u>270,587</u>	<u>1,201,004</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(90,021)</u>	<u>(33,007)</u>	<u>88,885</u>	<u>(34,143)</u>
Other Financing Receipts (Disbursements)				
Transfers Out	(51,066)			(51,066)
Other Debt Proceeds			20,089	20,089
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(51,066)</u>		<u>20,089</u>	<u>(30,977)</u>
<i>Net Change in Fund Cash Balances</i>	(141,087)	(33,007)	108,974	(65,120)
<i>Fund Cash Balances, January 1</i>	<u>416,386</u>	<u>609,835</u>	<u>1,358,686</u>	<u>2,384,907</u>
Fund Cash Balances, December 31				
Restricted		575,032	457,283	1,032,315
Committed		1,796	1,010,377	1,012,173
Assigned	252,280			252,280
Unassigned	23,019			23,019
<i>Fund Cash Balances, December 31</i>	<u>\$275,299</u>	<u>\$576,828</u>	<u>\$1,467,660</u>	<u>\$2,319,787</u>

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

**VILLAGE OF ELMORE
OTTAWA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Enterprise
Operating Cash Receipts	
Charges for Services	\$2,084,070
Miscellaneous	26,307
	<u>2,110,377</u>
<i>Total Operating Cash Receipts</i>	<i>2,110,377</i>
Operating Cash Disbursements	
Personal Services	290,035
Employee Fringe Benefits	126,359
Contractual Services	1,317,222
Supplies and Materials	84,708
Other	4,141
	<u>1,822,465</u>
<i>Total Operating Cash Disbursements</i>	<i>1,822,465</i>
<i>Operating Income</i>	<i>287,912</i>
Non-Operating Receipts (Disbursements)	
Other Debt Proceeds	68,714
Capital Outlay	(133,843)
Principal Retirement	(27,266)
Interest and Other Fiscal Charges	(185,464)
	<u>(277,859)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(277,859)</i>
<i>Income Before Transfers</i>	<i>10,053</i>
Transfers In	490,149
Transfers Out	(439,083)
	<u>61,119</u>
<i>Net Change in Fund Cash Balances</i>	<i>61,119</i>
<i>Fund Cash Balances, January 1</i>	<i>2,177,263</i>
	<u>2,177,263</u>
<i>Fund Cash Balances, December 31</i>	<i>\$2,238,382</i>
	<u>\$2,238,382</u>

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

VILLAGE OF ELMORE
OTTAWA COUNTY

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts				
Property and Other Local Taxes	\$174,783	\$153,860		\$328,643
Municipal Income Tax	308,311		\$376,499	684,810
Intergovernmental	43,617	91,346	10,637	145,600
Charges for Services	9,673			9,673
Fines, Licenses and Permits	14,539	25		14,564
Earnings on Investments	2,627	334		2,961
Miscellaneous	16,080	259		16,339
<i>Total Cash Receipts</i>	<u>569,630</u>	<u>245,824</u>	<u>387,136</u>	<u>1,202,590</u>
Cash Disbursements				
Current:				
Security of Persons and Property	403,180			403,180
Public Health Services	3,566			3,566
Leisure Time Activities	15,524			15,524
Community Environment	9,590			9,590
Basic Utility Services		75,331	58,307	133,638
Transportation	6,800	206,664		213,464
General Government	233,817			233,817
Capital Outlay			310,543	310,543
Debt Service:				
Principal Retirement			226,953	226,953
<i>Total Cash Disbursements</i>	<u>672,477</u>	<u>281,995</u>	<u>595,803</u>	<u>1,550,275</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(102,847)</u>	<u>(36,171)</u>	<u>(208,667)</u>	<u>(347,685)</u>
Other Financing Receipts (Disbursements)				
Transfers Out	(51,146)			(51,146)
Other Debt Proceeds			357,529	357,529
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(51,146)</u>		<u>357,529</u>	<u>306,383</u>
<i>Net Change in Fund Cash Balances</i>	<u>(153,993)</u>	<u>(36,171)</u>	<u>148,862</u>	<u>(41,302)</u>
<i>Fund Cash Balances, January 1</i>	<u>570,379</u>	<u>646,006</u>	<u>1,209,824</u>	<u>2,426,209</u>
Fund Cash Balances, December 31				
Restricted		608,039	446,646	1,054,685
Committed		1,796	912,040	913,836
Assigned	354,506			354,506
Unassigned	61,880			61,880
<i>Fund Cash Balances, December 31</i>	<u>\$416,386</u>	<u>\$609,835</u>	<u>\$1,358,686</u>	<u>\$2,384,907</u>

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

**VILLAGE OF ELMORE
OTTAWA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Enterprise
Operating Cash Receipts	
Charges for Services	\$2,118,307
Miscellaneous	8,393
	<u>2,126,700</u>
<i>Total Operating Cash Receipts</i>	<u>2,126,700</u>
Operating Cash Disbursements	
Personal Services	291,623
Employee Fringe Benefits	132,476
Contractual Services	1,412,749
Supplies and Materials	92,986
Other	2,600
	<u>1,932,434</u>
<i>Total Operating Cash Disbursements</i>	<u>1,932,434</u>
<i>Operating Income</i>	<u>194,266</u>
Non-Operating Receipts (Disbursements)	
Other Debt Proceeds	530,218
Miscellaneous Receipts	10,595
Capital Outlay	(825,828)
Principal Retirement	(26,278)
Interest and Other Fiscal Charges	(84,404)
	<u>(395,697)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(395,697)</u>
<i>Loss Before Transfers</i>	(201,431)
Transfers In	<u>51,146</u>
<i>Net Change in Fund Cash Balances</i>	(150,285)
<i>Fund Cash Balances, January 1</i>	<u>2,327,548</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$2,177,263</u></u>

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

**VILLAGE OF ELMORE
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Elmore, Ottawa County, Ohio (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water, sewer, and electrical utilities, park operations (leisure time activities), police services, general government services, zoning operations (community environment), street maintenance and repair (transportation), and refuse collection (basic utility services). The Village contracts with Harris Township to receive fire protection and emergency medical services.

The Village participates in three joint ventures and a public entity risk pool. Notes 8 and 9 to the financial statements provides additional information for these entities. These organizations are:

Public Entity Risk Pool:

Ohio Plan Risk Management, Inc. provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members.

Jointly Ventures:

The Village is a member of Ohio Municipal Electric Generation Agency JV2, JV5, and JV6 which are joint ventures with several other governments to produce electric power. These joint ventures are managed by American Municipal Power (AMP-Ohio).

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

B. Accounting Basis

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

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

**VILLAGE OF ELMORE
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

C. Deposits and Investments

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

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

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

Street Construction, Maintenance, and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Solid Waste Fund – This fund receives monies from property taxes to dispose of solid waste from the Village residents.

3. Capital Project Funds

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

Other Capital Projects Fund – This fund receives proceeds from a portion of municipal income tax collections. The proceeds are used for expenditures for capital outlays.

Sewer Treatment Plant Fund – This fund receives proceeds from a portion of municipal income tax collections. The proceeds are used for expenditures for sewer treatment plant capital outlays.

VILLAGE OF ELMORE
OTTAWA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

4. Enterprise Funds

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

Electric Operating Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

E. Budgetary Process

The Ohio Revised Code requires each fund be budgeted annually.

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2015 and 2014 budgetary activity appears in Note 3.

F. Fund Balance

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

1. Nonspendable

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

VILLAGE OF ELMORE
OTTAWA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

2. **Restricted**

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

3. **Committed**

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

4. **Assigned**

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

5. **Unassigned**

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

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

G. Property, Plant, and Equipment

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

H. Accumulated Leave

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

**VILLAGE OF ELMORE
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	2015	2014
Demand deposits	\$3,009,505	\$3,016,076
STAR Plus	1,001,978	
Cash on Hand	660	660
Total deposits	4,012,143	3,016,736
STAR Ohio	546,026	1,545,434
Total deposits and investments	\$4,558,169	\$4,562,170

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$519,000	\$562,661	\$43,661
Special Revenue	247,325	244,728	(2,597)
Capital Projects	576,324	379,561	(196,763)
Enterprise	2,665,897	2,669,240	3,343
Total	\$4,008,546	\$3,856,190	(\$152,356)

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$873,506	\$707,052	\$166,454
Special Revenue	349,219	277,995	71,224
Capital Projects	876,172	270,587	605,585
Enterprise	3,217,335	2,610,430	606,905
Total	\$5,316,232	\$3,866,064	\$1,450,168

**VILLAGE OF ELMORE
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

3. BUDGETARY ACTIVITY – (Continued)

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$511,850	\$569,630	\$57,780
Special Revenue	236,485	245,824	9,339
Capital Projects	4,800,716	744,665	(4,056,051)
Enterprise	3,059,764	2,718,659	(341,105)
Total	\$8,608,815	\$4,278,778	(\$4,330,037)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$913,680	\$725,179	\$188,501
Special Revenue	336,059	282,830	53,229
Capital Projects	5,173,091	602,421	4,570,670
Enterprise	4,103,931	2,905,790	1,198,141
Total	\$10,526,761	\$4,516,220	\$6,010,541

4. PROPERTY TAX

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

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

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

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 1.75 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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

**VILLAGE OF ELMORE
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

6. DEBT

Debt outstanding at December 31, 2015 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan - 2999	\$111,444	6%
Ohio Water Development Authority Loan - 6225	3,450,983	0%
Ohio Public Works Commission Loan - CT22M	84,834	0%
Ohio Public Works Commission Loan - CE27L	225,339	0%
AMP Ohio Loan	934,037	1%
Omega JV5	388,280	2-5%
Total	<u>\$5,194,917</u>	

The Ohio Water Development Authority (OWDA) Loan - 2999 relates to a storm sewer separation project which was mandated by the Ohio Environmental Protection Agency (EPA). The OWDA approved up to \$305,094 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$12,333, including interest, over 25 years. The scheduled payment amount assumes \$305,094 will be borrowed. The OWDA will adjust scheduled payments to reflect any revisions in amounts the Village actually borrows. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirement.

The Ohio Water Development Authority (OWDA) Loan - 6225 relates to a wastewater treatment plant upgrade project which was mandated by the National Pollutant Discharge Elimination System (NPDES) Permit No. 2PB00051 after a required study found the need to eliminate an existing plant overflow and at the same time meeting both current and proposed effluent requirements. The OWDA made \$4,114,093 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$102,852, over 20 years. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirement.

The Ohio Public Works (OPWC) Loan – CT22M relates to Rice Street sanitary sewer project and was approved in the amount of \$103,878. The loan will be repaid in semiannual installments of \$1,731 over 30 years, at a 0% interest rate.

The Ohio Public Works (OPWC) Loan – CE27L relates to the replacement of the River Sanitary Sewer Interceptor and was approved in the amount of \$207,407. The loan will be repaid in semiannual installments of \$4,507 over 30 years, at a 0% interest rate.

The Omega JV5 loan relates to the purchase of Ohio Municipal Electronic Generation Agency Joint Venture 5 (OMEGA-JV5). OMEGA JV5 is a distributive generation project. The interest rate for OMEGA-JV5 varies from 2 to 5%. Accordingly, no amortization schedule is available and the loan is not included in the schedule below.

The AMP Ohio loan relates to the annual refinancing of the AMP Electric System Improvement Bond Anticipation Notes to improve the Village's Electric System. AMP Ohio approved up to \$1,000,000 in a loan to the Village for this project. An amortization schedule for the repayment of the loan has not been provided as of the date of this report and, therefore, is not included in the schedule below.

**VILLAGE OF ELMORE
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
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6. DEBT – (Continued)

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

Year ending December 31:	OWDA 2999	OWDA 6225	OPWC CT22M	OPWC CE27L
2016	\$24,666	\$205,704	\$3,463	\$9,014
2017	24,666	205,704	3,463	9,014
2018	24,666	205,704	3,463	9,014
2019	24,666	205,704	3,462	9,014
2020	24,666	205,704	3,463	9,014
2021-2025	12,333	1,028,520	17,313	45,070
2026-2030		1,028,520	17,313	45,070
2031-2035		365,423	17,313	45,070
2036-2040			15,581	45,059
Total	<u>\$135,663</u>	<u>\$3,450,983</u>	<u>\$84,834</u>	<u>\$225,339</u>

7. RETIREMENT SYSTEMS

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2015 and 2014, OP&F participants contributed 10.75% of their wages through June 30, 2014, while participants contributed 11.5% beginning July 1, 2014. For 2015 and 2014, the Village contributed to OP&F an amount of 19.5% of full-time police members' wages. For 2015 and 2014, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

8. RISK MANAGEMENT

Risk Pool Membership

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

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

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8. RISK MANAGEMENT- (Continued)

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. Effective November 1, 2014, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 772 and 783 members as of December 31, 2015 and 2014 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Assets	\$14,643,667	\$14,830,185
Liabilities	(9,112,030)	(8,942,504)
Members' Equity	<u>\$5,531,637</u>	<u>\$5,887,681</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

9. JOINT VENTURES

A. OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 2 (OMEGA JV2)

The Village is a Non-Financing Participant and an Owner Participant with an ownership percentage of .27% and shares participation with thirty-five other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency (OMEGA JV2). Owner Participants own undivided interests, as tenants in common, in the OMEGA JV2 Project in the amount of their respective Project Shares. Purchaser Participants agree to purchase the output associated with their respective Project shares, ownership of which is held in trust for such Purchaser Participants.

Pursuant to the OMEGA JV2 Agreement, the participants jointly undertook as either Financing Participants or Non-Financing Participants and as either Owner Participants or Purchaser Participants, the acquisition, construction, and equipping of OMEGA JV2, including such portions of OMEGA JV2 as have been acquired, constructed or equipped by AMP and to pay or incur the costs of the same in accordance with the JV2 Agreement.

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9. JOINT VENTURES – (Continued)

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 138.65 MW of distributed generation of which 134.081MW is the participants' entitlement and 4.569MW are held in reserve. On dissolution of OMEGA JV2, the net assets will be shared by the participants on a percentage of ownership basis. OMEGA JV2 is managed by AMP, which acts as the joint venture's agent. During 2001, AMP issued \$50,260,000 of 20 year fixed rate bonds on behalf of the Financing Participants of OMEGA JV2. The net proceeds of the bond issue of \$45,904,712 were contributed to OMEGA JV2. On January 3, 2011, AMP redeemed all of the \$31,110,000 OMEGA JV2 Project Distributive Generation Bonds then outstanding by borrowing on AMP's revolving credit facility. As such, the remaining outstanding bond principal of the OMEGA JV2 indebtedness was reduced to zero, with the remaining principal balance now residing on the AMP credit facility. As of December 31, 2015, the outstanding debt was \$8,052,470. The Village's net investment in OMEGA JV2 was \$45,032 at December 31, 2015. Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor's website at www.ohioauditor.gov.

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2015 are:

**VILLAGE OF ELMORE
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**NOTES TO THE FINANCIAL STATEMENTS
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9. JOINT VENTURES – (Continued)

Municipality	Percent Ownership	kW Entitlement	Municipality	Percent Ownership	kW Entitlement
Hamilton	23.87%	32,000	Grafton	0.79%	1,056
Bowling Green	14.32%	19,198	Brewster	0.75%	1,000
Niles	11.49%	15,400	Monroeville	0.57%	764
Cuyahoga Falls	7.46%	10,000	Milan	0.55%	737
Wadsworth	5.81%	7,784	Oak Harbor	0.55%	737
Painesville	5.22%	7,000	Elmore	0.27%	364
Dover	5.22%	7,000	Jackson Center	0.22%	300
Galion	4.29%	5,753	Napoleon	0.20%	264
Amherst	3.73%	5,000	Lodi	0.16%	218
St. Mary's	2.98%	4,000	Genoa	0.15%	199
Montpelier	2.98%	4,000	Pemberville	0.15%	197
Shelby	1.89%	2,536	Lucas	0.12%	161
Versailles	1.24%	1,660	South Vienna	0.09%	123
Edgerton	1.09%	1,460	Bradner	0.09%	119
Yellow Springs	1.05%	1,408	Woodville	0.06%	81
Oberlin	0.91%	1,217	Haskins	0.05%	73
Pioneer	0.86%	1,158	Arcanum	0.03%	44
Seville	0.79%	1,066	Custar	0.00%	4
	<u>95.20%</u>	<u>127,640</u>		<u>4.80%</u>	<u>6,441</u>
			Grand Total	<u>100.00%</u>	<u>134,081</u>

B. OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 5 (OMEGA JV5)

The Village is a Financing Participant with an ownership percentage of .58 %, and shares participation with forty-one other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5). Financing Participants own undivided interests, as tenants in common, without right of partition in the OMEGA JV5 Project.

Pursuant to the OMEGA Joint Venture JV5 Agreement (Agreement), the participants jointly undertook as Financing Participants, the acquisition, construction, and equipping of OMEGA JV5, including such portions of OMEGA JV5 as have been acquired, constructed or equipped by AMP.

OMEGA JV5 was created to construct a 42 Megawatt (MW) run-of-the-river hydroelectric plant (including 40MW of backup generation) and associated transmission facilities (on the Ohio River near the Bellville, West Virginia Locks and Dam) and sells electricity from its operations to OMEGA JV5 Participants.

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(Continued)**

9. JOINT VENTURES – (Continued)

Also pursuant to the Agreement, each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net position will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2015 the Village has met its debt coverage obligation.

The Agreement provides that the failure of any JV5 participant to make any payment due by the due date thereof constitutes a default. In the event of a default, OMEGA JV5 may take certain actions including the termination of a defaulting JV5 Participant's entitlement to Project Power. Each Participant may purchase a pro rata share of the defaulting JV5 Participant's entitlement to Project Power, which together with the share of the other non-defaulting JV5 Participants, is equal to the defaulting JV5 Participant's ownership share of the Project, in kilowatts ("Step Up Power") provided that the sum of any such increases shall not exceed, without consent of the non-defaulting JV5 Participant, an accumulated maximum kilowatts equal to 25% of such non-defaulting JV5 Participant's ownership share of the project prior to any such increases.

OMEGA JV5 is managed by AMP, which acts as the joint venture's agent. During 1993 and 2001 AMP issued \$153,415,000 and \$13,899,981 respectively of 30 year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004 the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of \$116,910,000, which resulted in a savings to the membership of \$34,951,833 from the periods 2005 through 2024. On February 15, 2014, all of the 2004 BIRCs were redeemed from funds held under the trust agreement securing the 2004 BIRCs and the proceeds of a promissory note issued to AMP by OMEGA JV5. This was accomplished with a draw on AMP's revolving credit facility. The resulting balance was \$65,891,509 at February 28, 2014. Due to scheduled principal repayments, the resulting note receivable has been reduced at December 31, 2015 to \$49,803,187.* AMP will continue to collect debt service from the OMEGA JV5 participants until the note is paid in full.

The Village's net investment to date in OMEGA JV5 was \$17,330 at December 31, 2015. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at www.ohioauditor.gov.

* Subsequent to year end, on January 19, 2016, OMEGA JV5 issued the Beneficial Interest Refunding Certificates, Series 2016 (the "2016 Certificates") in the amount of \$49,745,000 for the purpose of refunding the promissory note to AMP in full. The outstanding amount on the promissory note had been reduced to \$49,243,377 at the time of refunding.

**VILLAGE OF ELMORE
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**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

9. JOINT VENTURES – (Continued)

C. OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 6 (OMEGA JV6)

The Village is a Financing Participant with an ownership percentage of 1.39%, and shares participation with nine other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 6 (OMEGA JV6). Financing Participants, after consideration of the potential risks and benefits can choose to be Owner Participants or Purchaser Participants. Owner Participants own undivided interests, as tenants in common in the Project in the amount of its Project Share. Purchaser Participants purchase the Project Power associated with its Project Share.

Pursuant to the OMEGA Joint Venture JV6 Agreement (Agreement), the participants agree jointly to plan, acquire, construct, operate and maintain the Project, and hereby agree, to pay jointly for the electric power, energy and other services associated with the Project.

OMEGA JV6 was created to construct four (4) wind turbines near Bowling Green Ohio. Each turbine has a nominal capacity of 1.8 MW and sells electricity from its operations to OMEGA JV6 Participants.

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Adjustable Rate Revenue Bonds (Bonds) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV6, any excess funds shall be refunded to the Non-Financing Participants in proportion to each Participant's Project Share and to Financing Participant's respective obligations first by credit against the Financing Participant's respective obligations. Any other excess funds shall be paid to the Participants in proportion to their respective Project Shares. Under the terms of the Agreement each financing participant is to fix, charge and collect rates, fees, charges, including other available funds, at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV6 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2015 the Village has met its debt coverage obligation.

The Agreement provides that the failure of any JV6 participant to make any payment due by the due date constitutes a default. In the event of a default and one in which the defaulting Participant failed to cure its default as provided for in the Agreement, the remaining participants would acquire the defaulting Participant's interest in the project and assume responsibility for the associated payments on a pro rata basis up to a maximum amount equal to 25% of such non-defaulting Participant's Project share ("Step Up Power").

OMEGA JV6 is managed by American Municipal Power, Inc., which acts as the joint venture's agent. On July 30, 2004 AMP issued \$9,861,000 adjustable rate bonds that mature on August 15, 2019. The interest rate on the bonds will be set every six months until maturity. No fixed amortization schedule exists. The net proceeds of the bond issues were used to construct the OMEGA JV6 Project. On August 15, 2015 the remaining balance was paid on the OMEGA JV6 Bonds. The Village's net obligation for these bonds at December 31, 2015 was \$0 (Including amounts withheld for Debt Service Reserve, amounts held in the Bond Fund, previous billings to members, interest payable and debt service paid and collected).

The Village's net investment to date in OMEGA JV6 was \$80,033 at December 31, 2015. Complete financial statements for OMEGA JV6 may be obtained from AMP or from the State Auditor's website at www.ohioauditor.gov.

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9. JOINT VENTURES – (Continued)

The ten participating subdivisions and their respective ownership shares at December 31, 2015 are:

	Project kW	Percent Project Ownership and Entitlement
Municipality	Entitlement	
Bowling Green	4,100	56.94%
Cuyahoga Falls	1,800	25.00%
Napoleon	300	4.17%
Wadsworth	250	3.47%
Oberlin	250	3.47%
Montpelier	100	1.39%
Edgerton	100	1.39%
Pioneer	100	1.39%
Monroeville	100	1.39%
Elmore	100	1.39%
Totals	7,200	100.00%

10. COMBINED HYDROELECTRIC PROJECTS (79 MEMBERS)

AMP is currently developing three hydroelectric projects, the Cannelton, the Smithland and the Willow Island hydroelectric generating facilities (the “Combined Hydroelectric Projects”), all on the Ohio River, with an aggregate generating capacity of approximately 208 MW. Each of the Combined Hydroelectric Projects entails the installation of run-of-the-river hydroelectric generating facilities on existing United States Army Corps of Engineers’ dams and includes associated transmission facilities. The Combined Hydroelectric Projects, including associated transmission facilities, will be constructed and operated by AMP. AMP holds the licenses from FERC for the Combined Hydroelectric Projects. AMP received the last of the material permits needed to begin construction on the Cannelton hydroelectric facility and Smithland hydroelectric facility, respectively in 2009. Ground breaking ceremonies were held for Cannelton on August 25, 2009 and for Smithland on September 1, 2010. AMP received the last of the material permits for the Willow Island hydroelectric facility in the last quarter of 2010 and ground breaking ceremonies took place on July 21, 2011.

The Cannelton Hydro Project (88MW), now in operation as of 2016, is located on the Kentucky shore of the Cannelton Locks and Dam on federal land. AMP has a FERC license for the project that expires May 31, 2041. The hydro project diverts water from the locks and dam through bulb turbines, which have a horizontal shaft and Kaplan-type turbines. The site includes an intake channel, a reinforced concrete powerhouse (to house turbine and 3 generator units), and a tailrace or downstream channel.

The Willow Island Hydro Project, 44MW, now in operation, diverts water from the existing Willow Island Locks and Dam through bulb turbines. The FERC license for the Willow Project expires August 31, 2030. Average gross annual output is 279 million kWh. The powerhouse houses two horizontal 29.3 MW bulb type turbines and generating units.

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10. COMBINED HYDROELECTRIC PROJECTS (79 MEMBERS) – (Continued)

The Smithland Hydro Project (76MW) is located 62.5 miles upstream of the confluence of the Ohio and Mississippi Rivers. The Smithland project has a FERC license that expires May 31, 2038. The powerhouse houses three horizontal 29.3 MW bulb type turbines and generating units. Average gross annual output is 379 million kWh. AMP expects the three unit Smithland Hydro Project (76MW) to be in commercial operation by late first Quarter/Early second Quarter 2017.

Please note that these projected commercial operation dates set forth above are, and the other information herein is, subject to change and are dependent on a number of factors affecting each Project's overall remaining construction schedule, including weather. As a result, the commercial operation dates may occur earlier or later than the time frames set forth above.

On February 12, 2015, AMP reached agreement with Barnard Construction Company, Inc. ("Barnard") to serve as the replacement powerhouse contractor on AMP's Smithland Hydroelectric Project ("Smithland Project"), which is one of the three projects constituting the Combined Hydroelectric Projects replacing C.J. Mahan whose contract was terminated by mutual agreement between AMP and C.J. Mahan. Barnard is a highly experienced hydropower construction contractor. AMP and Barnard are working together to achieve an orderly transition of the Smithland Project from the prior powerhouse contractor. Nearly all of the subcontractors currently working on the Smithland Project have been retained. The Project Engineer, MWH Americas, Inc., all owner furnished equipment suppliers and all other prime contractors remain in place.

The Village has executed a take-or-pay power sales contract with AMP for a Project Share of 1,399 kW, or 0.67% of capacity and associated energy from the hydro facilities.

To provide financing for the Combined Hydroelectric Projects, in 2009 and 2010 AMP has issued in seven series \$2,045,425,000 of its Combined Hydroelectric Projects Revenue Bonds (the "Combined Hydroelectric Bonds"), consisting of taxable, tax-exempt and tax advantaged obligations (Build America Bonds, Clean Renewable Energy Bonds and New Clean Renewable Energy Bonds). As of August 31, 2016 the total outstanding Hydro Project debt on AMP's books is approximately \$1,995,529,118. The Combined Hydroelectric Bonds are net revenue obligations of AMP, secured by a master trust indenture and payable from amounts received by AMP under a take-or-pay power sales contract with 79 of its Members.

AMP issued the Combined Hydro Project Revenue Bonds, Series 2016A (Green Bonds) (the "Series 2016A Bonds") for \$194,500,000 on October 6, 2016. The bonds will finance final completion costs and also reimbursement to the AMP credit line, which provided interim financing for costs related to the construction of the three run-of the-river hydroelectric facilities (8 units) along the Ohio River, fund a deposit to the Parity Common Reserve Account, deposit to Escrow Account and pay the cost of issuance of the Series 2016A. The purpose of the "Green bonds" label is to allow investors to invest in an environmentally beneficial project.

11. AMP FREMONT ENERGY CENTER (AFEC)

In February 3, 2011 American Municipal Power, Inc. (AMP) entered into a non-binding memorandum of understanding (MOU) with FirstEnergy Corp. regarding the Fremont Energy Center ("AFEC"). AFEC is a 707 MW natural gas fired combined cycle generation plant with a Base Capacity of 512 MW, located near the city of Fremont, Ohio. The closing date to purchase was July 28, 2011. AMP's acquisition of the plant was financed with draws on an additional line of credit for \$600,000,000 secured solely for the purpose of purchasing the plant.

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**NOTES TO THE FINANCIAL STATEMENTS
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(Continued)**

11. AMP FREMONT ENERGY CENTER (AFEC) – (Continued)

To provide permanent financing for the AFEC Project on June 29, 2012 AMP issued in two series \$546,085,000 of its AMP Fremont Center Project Revenue Bonds consisting of taxable and tax-exempt obligations to (i) with other available funds, to repay the \$600,000,000 principal amount of an interim loan that financed the acquisition of the AMP Fremont Energy Center ("AFEC") and development costs and completion of construction and commissioning of AFEC; (ii) to make deposits to the Construction Accounts under the Indenture to finance additional capital expenditures allocable to AMP's 90.69% undivided ownership interest in AFEC; (iii) to fund deposits to certain reserve accounts; and (iv) to pay the costs of issuance of the Series 2012 Bonds.

On January 21, 2012 the AMP Fremont Energy Center ("AFEC") began commercial operation. The total cost of construction of the AFEC at the date it was placed in service was \$582,200,642. This amount included a development fee of \$35,535,448 paid by AFEC participants for the account of AMP Generating Station participants who are also AFEC participants. The amount was previously recorded as a noncurrent regulatory asset at December 31, 2011. In June 2012, AMP sold 26.419 MW or 5.16% undivided ownership interest in AFEC to Michigan Public Power Agency ("MPPA") and entered into a power sales contract with Central Virginia Electric Cooperative ("CVEC") for the output of a 21.248 MW or 4.15% interest in AFEC. AMP has sold the output of the remaining 464.355 MW or 90.69% interest to the AFEC participants, which consist of the 87 members, pursuant to a take-or-pay power sales contract. As of August 31, 2016 the outstanding obligation on the Fremont Energy Center ("AFEC") on AMP's books is \$520,620,000.

The Village has executed a take-or-pay power sales contract with AMP for a Project Share of 880 kW or 0.19% of capacity and associated energy from the AFEC facility. As of November 30, 2016, the Village's Project Share was associated with approximately \$989,178 of the outstanding Project debt.

12. PRAIRIE STATE ENERGY CAMPUS (68 MEMBERS)

On December 20, 2007, AMP acquired 368,000 kW or an effective 23.26% undivided ownership interest (the "PSEC Ownership Interest") in the Prairie State Energy Campus ("PSEC"), a planned 1,600 MW coal-fired power plant and associated facilities in southwest Illinois. The PSEC Ownership Interest is held by AMP 368 LLC, a single-member Delaware limited liability company ("AMP 368 LLC"). AMP is the owner of the sole membership interest in AMP 368 LLC. Construction of the PSEC commenced in October 2007. On June 12, 2012, Unit 1 of the PSEC began commercial operation and on November 2, 2012 Unit 2 of the PSEC began commercial operation.

AMP sells the power and energy from the PSEC Ownership Interest pursuant to a take-or-pay power sales contract (the "Prairie State Power Sales Contract") with 68 Members (the "Prairie State Participants"). The Prairie State Power Sales Contract is, in all material respects, comparable to the Power Sales Contract for the Project. The Prairie State Bonds are net revenue obligations of AMP, secured by a master trust indenture, payable primarily from the payments to be made by the Prairie State Participants under the terms of the Prairie State Power Sales Contract.

The Village has executed a take-or-pay power sales contract with AMP for a Project Share of 498 kW or 0.14% kW of capacity and associated energy from the Prairie State facility.

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12. PRAIRIE STATE ENERGY CAMPUS (68 MEMBERS) – (Continued)

AMP's share of the total Project costs, including AMP's share of PSEC capital improvements through 2016, resulted in the issuance by AMP of approximately \$1.697 billion of debt. These costs include (i) AMP's costs of acquisition of its Ownership Interest and its share of the cost of construction of the PSEC, including an allowance for contingencies, (ii) capitalized interest during and after the scheduled in service dates of the two PSEC Units, (iii) costs of issuance associated with both the interim and long-term financing for the Project and (iv) deposits to the Parity Common Reserve Account for the Bonds issued to permanently finance the Project. As of November 30, 2016 the outstanding obligation on Prairie State project is \$1,576,845,000.

13. AMERICAN MUNICIPAL POWER GENERATING STATION PROJECT

The Village is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The Village's share was 1,000 kilowatts of a total 771,281 kilowatts, giving the Village a 0.13 percent share. The AMPGS Project required participants to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. These costs were therefore deemed *impaired* and participants were obligated to pay costs already incurred. In prior years, payment of these costs was not made due to AMP's pursuit of legal action to void them. As a result of a March 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability. The Village's estimated share at March 31, 2014, of the impaired costs was \$173,962. The Village received a credit of \$28,477 related to their participation in the AMP Fremont Energy Center (AFEC) Project, and another credit of \$45,225 related to the AMPGS costs deemed to have future benefit for the project participants, leaving a net impaired cost estimate of \$100,260. AMP financed these costs on its revolving line of credit. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact the Village's payments. Since March 31, 2014 the Village has made payments of \$101,863 to AMP toward its net impaired cost estimate. Also since March 31, 2014, the Village's allocation of additional costs incurred by the project is \$1,328 and interest expense incurred on AMP's line-of-credit of \$813, resulting in a net impaired cost estimate at December 31, 2015 of \$538.

14. SEGMENT INFORMATION

To provide electric service to the citizens, the Village is a member of Ohio Municipal Electric Generation Agency (OMEGA) Joint Ventures as described in Note 9. The Village is liable for debt related to the financing of the OMEGA joint ventures. The activity is accounted for in the Village's Electric Fund, which is reported as part of the combined Enterprise Fund Type in the financial statements. Summary financial information for the Electric Fund is presented below:

**VILLAGE OF ELMORE
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14. SEGMENT INFORMATION – (Continued)

	<u>2015</u>	<u>2014</u>
Total Fund Cash Balance	\$1,385,701	\$874,881
Total Long-Term Debt	1,322,318	1,378,250
 Condensed Operating Information:		
Operating Receipts		
Charges for Services	1,563,374	1,622,453
Other Operating Receipts	26,307	8,098
Total Operating Receipts	<u>1,589,681</u>	<u>1,630,551</u>
Operating Disbursements		
Personal Services	148,702	128,369
Employee Fringe benefits	72,817	57,681
Contractual Services	1,197,297	1,280,023
Supplies and Materials	13,222	26,430
Other	541	
Total Operating Expenses	<u>1,432,579</u>	<u>1,492,503</u>
Operating Income	157,102	138,048
Nonoperating Receipts (Disbursements)		
Miscellaneous Receipts		311
Capital Outlay	(27,796)	(252,518)
Interest Payments	(108,635)	(75,290)
Transfers	490,149	51,146
Change in Fund Cash Balance	<u>510,820</u>	<u>(138,303)</u>
Beginning Fund Cash Balance	874,881	1,013,184
Ending Fund Cash Balance	<u>\$1,385,701</u>	<u>\$874,881</u>
 Condensed Cash Flows Information:		
	<u>2015</u>	<u>2014</u>
Net Cash Provided by:		
Operating Activities	\$157,102	\$138,048
Noncapital Financing Activities		
Other Noncapital Financing Activities	490,149	51,457
Net Cash Provided by Noncapital Financing Activities	<u>490,149</u>	<u>51,457</u>
Capital and Related Financing Activities		
Interest Payments on Capital and Related Debt	(108,635)	(75,290)
Other Capital and Related Financing Activities	(27,796)	(252,518)
Net Cash Used by Capital and Related Financing Activities	<u>(136,431)</u>	<u>(327,808)</u>
Net Increase (Decrease)	510,820	(138,303)
Beginning Fund Cash Balance	874,881	1,013,184
Ending Fund Cash Balance	<u>\$1,385,701</u>	<u>\$874,881</u>

VILLAGE OF ELMORE
OTTAWA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)

15. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

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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 Elmore
Ottawa County
344 Rice Street, P.O. Box 3
Elmore, Ohio 43416-0003

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Elmore, Ottawa County, Ohio (the Village) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated March 23, 2017 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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 2015-001 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*.

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 communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

March 23, 2017

**VILLAGE OF ELMORE
OTTAWA COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014**

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

FINDING NUMBER 2015-001

Material Weakness – Financial Reporting

We identified the following errors requiring adjustment to the financial statements and/or notes to the financial statements for the year ended December 31, 2015:

- Special Revenue Fund Type committed fund balance in the amount of \$198,399 was reclassified to restricted in accordance with GASB 54;
- Capital Projects Fund Type other debt proceeds receipts in the amount of \$20,089 were incorrectly classified as municipal income tax receipts;
- Capital Projects Fund Type principal retirement disbursements in the amount of \$214,476 were incorrectly classified as capital outlay disbursements; and
- Capital Projects Fund Type restricted fund balance in the amount of \$1,010,377 was reclassified to committed in accordance with GASB 54.

We also identified the following errors requiring adjustment to the financial statements and/or notes to the financial statements for the year ended December 31, 2014:

- Special Revenue Fund Type committed fund balance in the amount of \$201,993 was reclassified to restricted in accordance with GASB 54;
- Capital Projects Fund Type other debt proceeds receipts and capital outlay disbursements in the amount of \$307,619 were both increased in order to properly account for Ohio Water Development Authority on-behalf of loan disbursement activity that was not recorded in the accounting system and/or financial statements. Additionally, other debt proceeds receipts related to this issue in the amount of \$49,910 were improperly classified as intergovernmental receipts;
- Capital Projects Fund Type principal retirement disbursements in the amount of \$214,476 were incorrectly classified as capital outlay disbursements;
- Capital Projects Fund Type restricted fund balance in the amount of \$912,040 was reclassified to committed in accordance with GASB 54;
- Enterprise Fund Type estimated receipts were decreased in the amount of \$403,819 in order to the bring the accounting system and notes to the financial statements in line with authorized budget amounts; and
- Enterprise Fund Type capital outlay disbursements in the amount of \$530,218 were incorrectly classified as principal retirement.

**FINDING NUMBER 2015-001
(Continued)**

These errors were not identified and corrected prior to the Village preparing its financial statements due to deficiencies in the Village's internal controls over financial statement monitoring. The accompanying financial statements and notes to the financial statements, and where applicable, the Village's accounting records have been adjusted to reflect these changes. Sound financial reporting is the responsibility of the Fiscal Officer and the Village Council and is essential to ensure the information provided to the readers of the financial statements and accompanying notes is complete and accurate.

To help ensure the Village's financial statements and notes to the statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the statement and notes by the Fiscal Officer and Village Council, to identify and correct errors and omissions. The Fiscal Officer can refer to Auditor of State Bulletin 2011-004 at the following website address for information on Governmental Accounting Standards Board Statement No. 54:

<http://www.ohioauditor.gov/publications/bulletins/2011/2011-004.pdf>.

Additionally, the Fiscal Officer can refer to the Village Officer's Handbook at the following website address for guidance on the recording of transactions:

<http://www.ohioauditor.gov/publications/Final%20Village%20Officers%20Handbook%202016.pdf>.

Officials' Response:

We did not receive a response from Officials to this finding.

VILLAGE OF ELMORE
OTTAWA COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015 AND 2014

Finding Number	Finding Summary	Status	Additional Information
2013-001	Material weakness for errors in financial reporting.	Not corrected and reissued as Finding 2015-001 in this report.	The client declined the opportunity to respond and therefore did not provide reasoning for the continuation of this comment.

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VILLAGE OF ELMORE

OTTAWA 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
APRIL 6, 2017