



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, 2017 and 2016.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinions on this accounting basis is in the *Additional Opinion Qualification* and *Unmodified Opinions* paragraphs 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, 2017 and 2016, and the respective changes in financial position or cash flows thereof for the years then ended.

Basis for Additional Opinion Qualification

Municipal income taxes are reported at \$561,673 for the year ended December 31, 2017, which is 52 percent of General Fund receipts and 99% of Capital Projects Fund Type receipts for the year ended December 31, 2017. We were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as municipal income taxes. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Additional Opinion Qualification

In our opinion, except for the possible effects of the matter described in the *Basis for Additional Opinion Qualification* paragraph, the financial statements, as it relates to the General and Capital Projects Funds referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Elmore, Ottawa County, Ohio as of December 31, 2017 and 2016, 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 2.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type and related notes of the Special Revenue and Enterprise Funds of the Village of Elmore, Ottawa County, Ohio as of December 31, 2017 and 2016, for the years then ended in accordance with the financial reporting provision Ohio Revised Code Section 117.38 and Ohio Administrative Code Sections 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 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.

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

December 12, 2018

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Village of Elmore
Ottawa County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$167,685	\$153,649		\$321,334
Municipal Income Tax	309,144		\$252,529	561,673
Intergovernmental	45,204	83,276		128,480
Charges for Services	12,969			12,969
Fines, Licenses and Permits	14,175	100		14,275
Earnings on Investments	16,198	461		16,659
Miscellaneous	30,898	362		31,260
<i>Total Cash Receipts</i>	<u>596,273</u>	<u>237,848</u>	<u>252,529</u>	<u>1,086,650</u>
Cash Disbursements				
Current:				
Security of Persons and Property	369,935			369,935
Public Health Services	3,887			3,887
Leisure Time Activities	11,323			11,323
Community Environment	4,634			4,634
Basic Utility Services		64,271	34,736	99,007
Transportation		172,956		172,956
General Government	212,554			212,554
Debt Service:				
Principal Retirement			211,943	211,943
<i>Total Cash Disbursements</i>	<u>602,333</u>	<u>237,227</u>	<u>246,679</u>	<u>1,086,239</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(6,060)</u>	<u>621</u>	<u>5,850</u>	<u>411</u>
Other Financing Receipts (Disbursements)				
Sale of Capital Assets			3,313	3,313
Transfers Out	(16,603)			(16,603)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(16,603)</u>		<u>3,313</u>	<u>(13,290)</u>
<i>Net Change in Fund Cash Balances</i>	(22,663)	621	9,163	(12,879)
<i>Fund Cash Balances, January 1</i>	<u>88,206</u>	<u>590,602</u>	<u>1,593,349</u>	<u>2,272,157</u>
Fund Cash Balances, December 31				
Restricted		589,427	425,372	1,014,799
Committed	125	1,796	1,177,140	1,179,061
Assigned	65,418			65,418
Unassigned				
<i>Fund Cash Balances, December 31</i>	<u>\$65,543</u>	<u>\$591,223</u>	<u>\$1,602,512</u>	<u>\$2,259,278</u>

See accompanying notes to the basic financial statements

Village of Elmore
Ottawa County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
Proprietary Fund Type
For the Year Ended December 31, 2017

	Enterprise
Operating Cash Receipts	
Charges for Services	\$2,244,794
Miscellaneous	6,869
<i>Total Operating Cash Receipts</i>	2,251,663
Operating Cash Disbursements	
Personal Services	219,485
Employee Fringe Benefits	88,976
Contractual Services	1,415,889
Supplies and Materials	91,014
Other	4,076
<i>Total Operating Cash Disbursements</i>	1,819,440
<i>Operating Income</i>	432,223
Non-Operating Receipts (Disbursements)	
Miscellaneous Receipts	6,942
Capital Outlay	(55,775)
Principal Retirement	(305,690)
Interest and Other Fiscal Charges	(15,776)
<i>Total Non-Operating Receipts (Disbursements)</i>	(370,299)
<i>Income Before Transfers</i>	61,924
Transfers In	16,603
<i>Net Change in Fund Cash Balances</i>	78,527
<i>Fund Cash Balances, January 1</i>	2,326,585
<i>Fund Cash Balances, December 31</i>	\$2,405,112

See accompanying notes to the basic financial statements

Village of Elmore
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 - Reporting Entity

The Village of Elmore (the Village), Ottawa County, 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. A publicly-elected six-member Council directs the Village. The Village provides water, sewer, and electrical utilities, park operations (leisure time activities), and police, general government services, zoning operations (community environment), street and highway (transportation), and refuse collection (basic utility services). The Village contracts with Harris Township to receive fire protection and emergency medical services.

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

Joint Ventures, and Public Entity Risk Pools

The Village participates in three joint ventures and a public entity risk pool. Notes 7 and 12 to the financial statements provides additional information for these entities. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

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

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

Village of Elmore
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

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

Wastewater Treatment Plant OWDA Fund This fund receives proceeds from the Ohio Water Development Authority (OWDA) loan. The proceeds are being used to upgrade the current Wastewater Treatment Plant. This loan was finalized in 2016.

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.

Basis of Accounting

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

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

Budgetary Process

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

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

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

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

A summary of 2017 budgetary activity appears in Note 3.

Village of Elmore
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Deposits and Investments

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

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

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

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

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

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

Village of Elmore
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

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

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$635,122	\$596,273	(\$38,849)
Special Revenue	248,785	237,848	(10,937)
Capital Projects	301,081	255,842	(45,239)
Enterprise	2,161,900	2,275,208	113,308
Total	\$3,346,888	\$3,365,171	\$18,283

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$720,930	\$621,671	\$99,259
Special Revenue	415,893	238,744	177,149
Capital Projects	819,553	248,909	570,644
Enterprise	2,993,118	2,213,890	779,228
Total	\$4,949,494	\$3,323,214	\$1,626,280

Note 4 – 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:

Demand deposits	2017 \$3,095,661
Cash on Hand	660
Total deposits	3,096,321
STAR Ohio	1,568,069
Total deposits and investments	\$4,664,390

Village of Elmore
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Deposits

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

Investments

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

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable 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.

Local Income Taxes

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. In October of 2017 the Village contracted with Regional Income Tax Authority (RITA) to administer the Village Municipal Income Taxes.

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

Note 6 – Interfund Transactions

During 2017 the following transfers were made:

<u>Transfers To</u>	<u>Transfers From General Fund</u>
Electric Operating Fund	\$16,603

Transfers are used to (1) move receipts from the fund that statute or budget required to collect them to the fund that statute or budget requires to disburse them, (2) move receipts restricted to debt service from the

Village of Elmore
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 7 - Risk Management

Risk Pool Membership

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

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

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 764 members as of December 31, 2017.

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, 2017.

Assets	\$14,853,620
Liabilities	<u>(9,561,108)</u>
Members' Equity	<u>\$ 5,292,512</u>

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

Village of Elmore
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some of the Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Ohio Police and Fire Retirement System

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2017.

Note 9 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016, and 1.0 percent during calendar year 2017. OP&F contributes 0.5 percent to fund these benefits.

Note 10 – Debt

Debt outstanding at December 31, 2017 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan - 2999	\$75,149	6%
Ohio Water Development Authority Loan - 6225	3,188,422	0%
Ohio Public Works Commission Loan - CT22M	79,640	0%
Ohio Public Works Commission Loan -CE27L	211,819	0%
AMP Ohio Loan	750,000	1%
Omega JV5	301,121	2-5%
Total	<u>\$4,606,151</u>	

Village of Elmore
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

The Ohio Water Development Authority (OWDA) loan – 2999 relates to storm sewer separation project which was mandated by the Ohio Environmental Protection Agency (EPA). The OWDA approved \$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. 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 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 approved \$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 – CE27L relates to the replacement of the River Sanitary Sewer Interceptor and was approved in the amount of \$275,000. The loan will be repaid in semiannual installments of \$4,507 over 30 years, at a 0% interest rate.

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.

OMEGA JV5 loan relates to the purchase of Ohio Municipal Electronic Generation Agency Joint Venture (OMEGA-JV5). OMEGA-JV5 is a distributive generation project. An amortization schedule for the repayment of the loan is currently not available and, therefore, 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. The project was completed in 2016. An amortization schedule for the repayment of the loan is currently not available and, therefore, is not included in the schedule below.

Amortization

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

Year Ending December 31:	OWDA Loan 2999	OWDA Loan 6225	OPWC CT22M	OPWC CE27L	OMEGA JV5
2018	\$22,900	\$205,705	\$3,463	\$9,014	\$61,177
2019	23,367	205,705	3,462	9,013	
2020	23,865	205,705	3,463	9,014	
2021-2025	12,060	1,028,523	17,313	45,068	
2026-2030		1,028,523	17,313	45,068	
2031-2035		514,262	17,313	45,068	
2036-2040			17,313	45,068	
2041-2045				4,506	
Total	\$82,192	\$3,188,423	\$79,640	\$211,819	\$61,177

Village of Elmore
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

AMP Generating Station (AMPGS) 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, the payment of these costs was not considered probable due to AMP's pursuit of legal action to void them. As a result of a March 31, 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 is \$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 \$45,255 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. These amounts will be recorded as they become estimable.

Since March 31, 2014 the Village has made payments of \$103,424 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 \$1,741 and interest expense incurred on AMP's line-of-credit of \$807, resulting in a net credit balance for impaired cost estimate at December 31, 2016 of \$616. The Village has opted to leave the credit balance with AMP to offset any additional AMPGS Project costs in the future. The Village does have a potential PHFU Liability of \$46,517 resulting in a net total potential liability of \$45,901, assuming the assets making up the PHFU (principally the land comprising the Meigs County Site) have no value and also assuming the Village's credit balance would earn zero interest. Stranded costs as well as PHFU costs are subject to change, including future borrowing costs on the AMP line of credit. Activities include items such negative items as property taxes as well as positive items revenue from leases or sale of all or a portion of the Meigs County site property.

Note 11 – 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.

Note 12 – Joint Ventures

A. Ohio Municipal Electric Generation Agency Joint Venture 2 (OMEGA JV2)

The Village of Elmore 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

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Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

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. 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, 2016, the outstanding debt was \$4,142,633. The Village's net investment in OMEGA JV2 was \$36,147 at December 31, 2016. 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, 2017 are:

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(Continued)

Municipality	kW Entitlement	Percent Project Ownership and Entitlement	Municipality	kW Entitlement	Percent Project Ownership and Entitlement
Hamilton	32,000	23.87%	Grafton	1,056	0.79%
Bowling Green	19,198	14.32%	Brewster	1,000	0.75%
Niles	15,400	11.48%	Monroeville	764	0.57%
Cuyahoga Falls	10,000	7.46%	Milan	737	0.55%
Wadsworth	7,784	5.81%	Oak Harbor	737	0.55%
Painesville	7,000	5.22%	Elmore	364	0.27%
Dover	7,000	5.22%	Jackson Center	300	0.22%
Galion	5,753	4.29%	Napoleon	264	0.20%
Amherst	5,000	3.73%	Lodi	218	0.16%
St. Mary's	4,000	2.98%	Genoa	199	0.15%
Montpelier	4,000	2.98%	Pemberville	197	0.15%
Shelby	2,536	1.89%	Lucas	161	0.12%
Versailles	1,660	1.24%	South Vienna	123	0.09%
Edgerton	1,460	1.09%	Bradner	119	0.09%
Yellow Springs	1,408	1.05%	Woodville	81	0.06%
Oberlin	1,217	0.91%	Haskins	73	0.05%
Pionerr	1,158	0.86%	Arcanum	44	0.03%
Seville	1,066	0.80%	Custar	4	0.00%
Municipality	kW Entitlement	Percent Project Ownership and Entitlement	Municipality	kW Entitlement	Percent Project Ownership and Entitlement
	127,640	95.20%		6,441	4.80%
			Grand Total	134,081	100.00%

B. Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5)

OMEGA JV5 (42 Members): In 1993, OMEGA JV5 assigned to a trustee the obligations of its participants to make payments for their respective ownership shares in the “Belleville Project,” a 42 MW run-of-the-river hydroelectric generating facility on an Army Corps dam near Belleville, Ohio, an associated transmission line in Ohio and backup diesel generation owned by OMEGA JV5. AMP is responsible for operation of the Belleville Project. The hydroelectric generation associated with the Belleville Project has been operational since June 1999. The diesel generation units have been in service since 1995. OMEGA JV5 Participants have approved the retirement and sale of diesel units. The Federal Energy Regulatory Commission license for the Belleville Project runs through August 31, 2039. As of June 1, 2018, \$34,840,755 of the 2001 Belleville Beneficial Interest Certificates (“2001 BICs”) with a final maturity of 2030 was outstanding. The 2001 BICs are capital appreciation bonds with a final aggregate maturity amount of \$56,125,000. In addition, on February 15, 2014, AMP redeemed \$70,990,000 of the 2004 Belleville Beneficial Interest Certificates with the proceeds of a draw on the Line of Credit, which draw was evidenced by the proceeds of a note (the “JV5 Note”). On January 29, 2016, OMEGA JV5 caused the issuance of \$49,745,000 Belleville Beneficial Interest Refunding Certificates, Series 2016 (the “2016 BICs”) to pay a portion of the outstanding balance of the JV5 Note and to pay costs of issuance. The balance of the JV5 Note has since been retired. The 2016 BICs bear interest at a variable rate, mature on February 1, 2024 and are subject to

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Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

redemption and mandatory tender at the option of the holder commencing February 15, 2021. The 2001 BICs and 2016 BICs are non-recourse to AMP.

The Village of Elmore's net investment and its share of the operating results of OMEGA JV5 ownership share of the project is 0.58 percent. The Village's net investment in OMEGA JV5 was \$317,330 at December 31, 2017 and December 31, 2016. Complete financial statements for OMEGA JV5 can be obtained from AMP at 1111 Schrock Road, Columbus, Ohio 43229, or from the State Auditor's website at www.ohioauditor.gov.

C. Combined Hydroelectric Projects

AMP owns and operates 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 is in commercial operation and consists of run-of-the-river hydroelectric generating facilities on existing Army Corps dams and includes associated transmission facilities. AMP holds the licenses from FERC for the Combined Hydroelectric Projects.

To provide financing for the Combined Hydroelectric Projects, AMP has issued eight series of its Combined Hydroelectric Projects Revenue Bonds (the "Combined Hydroelectric Bonds"), in an original aggregate principal amount of \$2,254,955,000 and consisting of taxable, tax-exempt and tax advantaged obligations (Build America Bonds, Clean Renewable Energy Bonds and New Clean Renewable Energy Bonds). The Combined Hydroelectric Bonds are 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. As of December 31, 2017, \$2,150,625,294 aggregate principal amount of the Combined Hydroelectric Bonds and approximately \$126.9 million aggregate principal amount of subordinate obligations, consisting of notes evidencing draws on the Line of Credit, were outstanding under the indenture securing the Combined Hydroelectric Bonds.

The Village of Elmore has executed a take-or-pay power sales contract with AMP as a participant of the Combined Hydroelectric Projects of 265 kW or 0.06% of capacity and associated energy from the Combined Hydroelectric Projects.

D. AMP Fremont Energy Center (AFEC)

On July 28, 2011, AMP acquired from FirstEnergy Generation Corporation ("FirstEnergy") the Fremont Energy Center ("AFEC"), then nearing completion of construction and located in Fremont, Sandusky County, Ohio. Following completion of the commissioning and testing, AMP declared AFEC to be in commercial operation as of January 20, 2012. The AMP Fremont Energy Center is a natural gas fired, combined cycle, electric power generation plant with a capacity of 512 MW (unfired)/675 MW (fired), consisting of two combustion turbines, two heat recovery steam generators and one steam turbine and condenser.

AMP subsequently sold a 5.16% undivided ownership interest in AFEC to Michigan Public Power Agency and entered into a power sales contract with the Central Virginia Electric Cooperative for the output associated with a 4.15% undivided ownership interest in AFEC. The output of AFEC associated with the remaining 90.69% undivided ownership interest (the "90.69% Interest") is sold to AMP Members pursuant to a take-or-pay power sales contract with 87 of its members (the "AFEC

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Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Power Sales Contract”).

To provide permanent financing for the 90.69% Interest, in 2012, AMP issued, in two series \$546,085,000 of its AMP Fremont Energy Center Project Revenue Bonds (the “AFEC Bonds”), consisting of taxable and tax-exempt obligations. The AFEC Bonds are net revenue obligations of AMP, secured by a master trust indenture and payable from amounts received by AMP under the AFEC Power Sales Contract. On December 20, 2017, AMP issued bonds to refund all of the callable tax-exempt AFEC Bonds issued in 2012. As of December 31, 2017, \$508,465,000 aggregate principal amount of AFEC Bonds was outstanding.

The Village of Elmore has executed a take-or-pay power sales contract with AMP as a participant of the AFEC of 300 kW or 0.14% of capacity and associated energy from the AFEC.

E. Prairie State Energy Campus

On December 20, 2007, AMP acquired a 23.26% undivided ownership interest (the “PSEC Ownership Interest”) in the Prairie State Energy Campus (“PSEC”), a two-unit, supercritical coal-fired power plant designed to have a net rated capacity of approximately 1,582 MW 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. Unit 1 of the PSEC commenced operations in the second quarter of 2012 and Unit 2 of the PSEC commenced operations in the fourth quarter of 2012.

From July 2008 through September 2010, AMP issued five series of Prairie State Energy Campus Revenue Bonds (collectively, the “Initial Prairie State Bonds”) to finance PSEC project costs and PSEC related expenses. The Initial Prairie State Bonds consist of tax-exempt, taxable and tax advantaged Build America Bonds issued in the original aggregate principal amount of \$1,696,800,000. On January 14, 2015 and November 30, 2017, AMP issued bonds to refund all of the callable tax-exempt Initial Prairie State Bonds issued in 2008 and 2009. As of December 31, 2017, AMP had \$1,552,270,000 aggregate principal amount of Prairie State Bonds.

AMP sells the power and energy from the PSEC Ownership Interest pursuant to a take-or-pay power sales contract with 68 Members (the “Prairie State Participants”). 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 of Elmore has executed a take-or-pay power sales contract with AMP as a participant of the PSEC of 498 kW or 0.14% of capacity and associated energy from the PSEC.

Note 13 – AMP Revenue Coverage

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 12. 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

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Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

financial information for the Electric Fund is presented below:

	<u>2017</u>
Total Assets	\$1,443,538
Total Liabilities	\$301,121
 Condensed Operating Information:	
Operating Receipts	
Charges for Services	\$ 1,686,685
Other Operating Receipts	<u>6,869</u>
Total Operating Receipts	1,693,554
 Operating Expenses	 <u>1,431,492</u>
 Operating Income	 262,062
 Nonoperating Receipts (Disbursements)	
Principal Payments	(286,984)
Interest Payments	(12,022)
Other Nonoperating Receipts (Disbursements)	(12,510)
Transfers	<u>16,603</u>
Change in Fund Cash Balance	(32,851)
Beginning Fund Cash Balance	<u>1,476,389</u>
Ending Fund Cash Balance	<u><u>\$1,443,538</u></u>
 Condensed Cash Flows Information:	
	<u>2017</u>
Net Cash Provided (Used) by:	
Operating Activities	\$262,062
 Noncapital Financing Activities	
Other Noncapital Financing Activities	<u>16,603</u>
Net Cash Provided (Used) by Noncapital Financing Activities	16,603
 Capital and Related Financing Activities	
Principal Payments on Capital and Related Debt	(286,984)
Interest Payments on Capital and Related Debt	(12,022)
Other Capital and Related Financing Activities	<u>(12,510)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	(311,516)
 Net Increase (Decrease)	 (32,851)
Beginning Fund Cash Balance	<u>1,476,389</u>
Ending Fund Cash Balance	<u><u>\$1,443,538</u></u>

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Village of Elmore
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Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2016

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$175,720	\$152,766		\$328,486
Municipal Income Tax	301,532		\$368,131	669,663
Intergovernmental	44,624	83,663		128,287
Charges for Services	9,692			9,692
Fines, Licenses and Permits	13,379	25		13,404
Earnings on Investments	9,533	440		9,973
Miscellaneous	6,503	517		7,020
<i>Total Cash Receipts</i>	<u>560,983</u>	<u>237,411</u>	<u>368,131</u>	<u>1,166,525</u>
Cash Disbursements				
Current:				
Security of Persons and Property	413,856			413,856
Public Health Services	3,936			3,936
Leisure Time Activities	12,992			12,992
Community Environment	7,906			7,906
Basic Utility Services		64,311	46,189	110,500
Transportation	2,475	159,326		161,801
General Government	255,160			255,160
Debt Service:				
Principal Retirement			196,253	196,253
<i>Total Cash Disbursements</i>	<u>696,325</u>	<u>223,637</u>	<u>242,442</u>	<u>1,162,404</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(135,342)</u>	<u>13,774</u>	<u>125,689</u>	<u>4,121</u>
Other Financing Receipts (Disbursements)				
Sale of Capital Assets	280			280
Transfers Out	(52,031)			(52,031)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(51,751)</u>			<u>(51,751)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(187,093)</u>	<u>13,774</u>	<u>125,689</u>	<u>(47,630)</u>
<i>Fund Cash Balances, January 1</i>	<u>275,299</u>	<u>576,828</u>	<u>1,467,660</u>	<u>2,319,787</u>
Fund Cash Balances, December 31				
Restricted		588,806	1,054,303	1,643,109
Committed		1,796	539,046	540,842
Assigned	7,837			7,837
Unassigned	80,369			80,369
<i>Fund Cash Balances, December 31</i>	<u>\$88,206</u>	<u>\$590,602</u>	<u>\$1,593,349</u>	<u>\$2,272,157</u>

See accompanying notes to the basic financial statements

Village of Elmore
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Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
Proprietary Fund Type
For the Year Ended December 31, 2016

	Enterprise
Operating Cash Receipts	
Charges for Services	\$2,228,847
Miscellaneous	21,683
	<u>2,250,530</u>
<i>Total Operating Cash Receipts</i>	<i>2,250,530</i>
Operating Cash Disbursements	
Personal Services	281,415
Employee Fringe Benefits	115,571
Contractual Services	1,404,254
Supplies and Materials	111,545
Other	3,700
	<u>1,916,485</u>
<i>Total Operating Cash Disbursements</i>	<i>1,916,485</i>
<i>Operating Income</i>	<i>334,045</i>
Non-Operating Receipts (Disbursements)	
Sale of Capital Assets	125
Capital Outlay	(98,425)
Principal Retirement	(168,644)
Interest and Other Fiscal Charges	(30,929)
	<u>(297,873)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(297,873)</i>
<i>Income before Transfers</i>	<i>36,172</i>
Transfers In	52,031
	<u>88,203</u>
<i>Net Change in Fund Cash Balances</i>	<i>88,203</i>
<i>Fund Cash Balances, January 1</i>	<i>2,238,382</i>
	<u>2,238,382</u>
<i>Fund Cash Balances, December 31</i>	<i>\$2,326,585</i>
	<u>\$2,326,585</u>
<i>See accompanying notes to the basic financial statements</i>	

Village of Elmore
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 - Reporting Entity

The Village of Elmore (the Village), Ottawa County, 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. A publicly-elected six-member Council directs the Village. The Village provides water, sewer, and electrical utilities, park operations (leisure time activities), and police, general government services, zoning operations (community environment), street and highway (transportation), and refuse collection (basic utility services). The Village contracts with Harris Township to receive fire protection and emergency medical services.

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

Joint Ventures and Public Entity Risk Pools

The Village participates in three joint ventures and a public entity risk pool. Notes 7 and 12 to the financial statements provides additional information for these entities. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

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

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

Village of Elmore
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

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

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.

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.

Basis of Accounting

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

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

Budgetary Process

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

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

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

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

Village of Elmore
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

A summary of 2016 budgetary activity appears in Note 3.

Deposits and Investments

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

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

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

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

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

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Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

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

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

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$555,970	\$561,263	\$5,293
Special Revenue	253,500	237,411	(16,089)
Capital Projects	370,000	368,131	(1,869)
Enterprise	2,161,450	2,302,686	141,236
Total	\$3,340,920	\$3,469,491	\$128,571

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$811,554	\$751,816	\$59,738
Special Revenue	348,144	224,647	123,497
Capital Projects	869,553	242,442	627,111
Enterprise	2,720,820	2,217,419	503,401
Total	\$4,750,071	\$3,436,324	\$1,313,747

Note 4 – 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:

Village of Elmore
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

	2016
Demand deposits	\$3,043,358
Cash on Hand	660
Total deposits	3,044,018
STAR Ohio	1,554,724
Total deposits and investments	\$4,598,742

Deposits

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

Investments

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

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable 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.

Local Income Taxes

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. In October of 2017 the Village contracted with Regional Income Tax Authority (RITA) to administer the Village Municipal Income Taxes.

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
For the Year Ended December 31, 2016
(Continued)

Note 6 – Interfund Transactions

During 2016 the following transfers were made:

Transfers To	Transfers From General Fund
Electric Operating Fund	\$52,031

Transfers are used to (1) move receipts from the fund that statute or budget required to collect them to the fund that statute or budget requires to disburse them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 7 - Risk Management

Risk Pool Membership

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

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

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Until November 1, 2016, 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. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% 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 762 members as of December 31, 2016.

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.

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Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2016.

	<u>2016</u>
Assets	\$14,765,712
Liabilities	<u>(9,531,506)</u>
Members' Equity	<u>\$ 5,234,206</u>

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

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some of the Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Ohio Police and Fire Retirement System

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2016.

Note 9 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016. OP&F contributes 0.5 percent to fund these benefits.

Village of Elmore
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 10 – Debt

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan - 2999	\$93,855	6%
Ohio Water Development Authority Loan - 6225	3,394,127	0%
Ohio Public Works Commission Loan - CT22M	81,371	0%
Ohio Public Works Commission Loan -CE27L	216,326	0%
AMP Ohio Loan	750,000	1%
Omega JV5	342,588	2-5%
Total	<u>\$4,878,267</u>	

The Ohio Water Development Authority (OWDA) loan – 2999 relates to storm sewer separation project which was mandated by the Ohio Environmental Protection Agency (EPA). The OWDA approved \$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. 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 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 approved \$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 – CE27L relates to the replacement of the River Sanitary Sewer Interceptor and was approved in the amount of \$275,000. The loan will be repaid in semiannual installments of \$4,507 over 30 years, at a 0% interest rate.

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.

OMEGA JV5 loan relates to the purchase of Ohio Municipal Electronic Generation Agency Joint Venture (OMEGA-JV5). OMEGA-JV5 is a distributive generation project. An amortization schedule for the repayment of the loan is currently not available and, therefore, 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. The project was completed in 2016. An amortization schedule for the repayment of the loan is currently not available and, therefore, is not included in the schedule below.

Village of Elmore
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Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Amortization

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

Year Ending December 31:	OWDA Loan 2999	OWDA Loan 6225	OPWC CT22M	OPWC CE27L
2017	\$22,460	\$205,705	\$3,463	\$9,014
2018	22,900	205,705	3,463	9,014
2019	23,367	205,705	3,463	9,014
2020	23,865	205,705	3,463	9,014
2021	12,060	205,705	3,463	9,014
2022-2026		1,028,523	17,313	45,068
2027-2031		1,028,523	17,313	45,068
2032-2036		308,557	17,313	45,068
2037-2041			12,117	36,052
Total	<u>\$104,652</u>	<u>\$3,394,128</u>	<u>\$81,371</u>	<u>\$216,326</u>

AMP Generating Station (AMPGS) 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, the payment of these costs was not considered probable due to AMP's pursuit of legal action to void them. As a result of a March 31, 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 is \$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 \$45,255 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.

The Village elected to make annual lump sum payments in November 2014 and 2015 in the amount of \$50,000 and \$50,260, respectively. In late 2016, AMP reached a settlement in the Bechtel litigation. On December 8, 2016, at the AMPGS Participants meeting, options for the allocation of the Settlement funds were approved. The AMPGS Participants and the AMP Board of Trustees voted to allocate the Settlement among the participants and the AMP General Fund based on each participant's original project share in kW including the AMP General Fund's project share.

Village of Elmore
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Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 11 – 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.

Note 12 – Joint Ventures

A. Ohio Municipal Electric Generation Agency Joint Venture 2 (OMEGA JV2)

The Village of Elmore 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. 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, 2016, the outstanding debt was \$4,142,633. The Village's net investment in OMEGA JV2 was \$36,147 at December 31, 2016. 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, 2016 are:

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For the Year Ended December 31, 2016
(Continued)

Municipality	kW Entitlement	Percent Project Ownership and Entitlement	Municipality	kW Entitlement	Percent Project Ownership and Entitlement
Hamilton	32,000	23.87%	Grafton	1,056	0.79%
Bowling Green	19,198	14.32%	Brewster	1,000	0.75%
Niles	15,400	11.48%	Monroeville	764	0.57%
Cuyahoga Falls	10,000	7.46%	Milan	737	0.55%
Wadsworth	7,784	5.81%	Oak Harbor	737	0.55%
Painesville	7,000	5.22%	Elmore	364	0.27%
Dover	7,000	5.22%	Jackson Center	300	0.22%
Galion	5,753	4.29%	Napoleon	264	0.20%
Amherst	5,000	3.73%	Lodi	218	0.16%
St. Mary's	4,000	2.98%	Genoa	199	0.15%
Montpelier	4,000	2.98%	Pemberville	197	0.15%
Shelby	2,536	1.89%	Lucas	161	0.12%
Versailles	1,660	1.24%	South Vienna	123	0.09%
Edgerton	1,460	1.09%	Bradner	119	0.09%
Yellow Springs	1,408	1.05%	Woodville	81	0.06%
Oberlin	1,217	0.91%	Haskins	73	0.05%
Pionerr	1,158	0.86%	Arcanum	44	0.03%
Seville	1,066	0.80%	Custar	4	0.00%
	kW Entitlement	Percent Project Ownership and Entitlement	Municipality	kW Entitlement	Percent Project Ownership and Entitlement
	127,640	95.20%		6,441	4.80%
			Grand Total	134,081	100.00%

B. Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5)

The Village of Elmore 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.

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

Village of Elmore
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Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

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 assets 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, 2016 Elmore has met their 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 nondefaulting JV5 Participant, an accumulated maximum kilowatts equal to 25% of such nondefaulting 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 JVS. 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 JVS 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 JVS. This was accomplished with a draw on AMP's revolving credit facility. The resulting balance was \$65,891,509 at February 28, 2014. On January 29, 2016 OMEGA JV5 issued the Beneficial Interest Certificates (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 as compared to its value at December 31, 2015 of \$49,803,187. The promissory note represented the February 2014 redemption of the 2004 Certificates from funds held under the trust agreement securing the 2004 BIRCs.

The Village's net investment to date in OMEGA JVS was \$17,330 at December 31, 2016. Complete financial statements for OMEGA JVS may be obtained from AMP or from the State Auditor's website at www.ohioauditor.gov.

C. Combined Hydroelectric Projects

AMP owns and operates 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 is in commercial operation and consists of run-of-the-river hydroelectric generating facilities on existing Army Corps dams and includes associated transmission facilities. AMP holds the licenses from FERC for the Combined Hydroelectric Projects.

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Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

To provide financing for the Combined Hydroelectric Projects, AMP has issued eight series of its Combined Hydroelectric Projects Revenue Bonds (the “Combined Hydroelectric Bonds”), in an original aggregate principal amount of \$2,254,955,000 and consisting of taxable, tax-exempt and tax advantaged obligations (Build America Bonds, Clean Renewable Energy Bonds and New Clean Renewable Energy Bonds). The Combined Hydroelectric Bonds are 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. As of December 31, 2017, \$2,150,625,294 aggregate principal amount of the Combined Hydroelectric Bonds and approximately \$126.9 million aggregate principal amount of subordinate obligations, consisting of notes evidencing draws on the Line of Credit, were outstanding under the indenture securing the Combined Hydroelectric Bonds.

The Village of Elmore has executed a take-or-pay power sales contract with AMP as a participant of the Combined Hydroelectric Projects of 265 kW or 0.06% of capacity and associated energy from the Combined Hydroelectric Projects.

D. AMP Fremont Energy Center (AFEC)

On July 28, 2011, AMP acquired from FirstEnergy Generation Corporation (“FirstEnergy”) the Fremont Energy Center (“AFEC”), then nearing completion of construction and located in Fremont, Sandusky County, Ohio. Following completion of the commissioning and testing, AMP declared AFEC to be in commercial operation as of January 20, 2012. The AMP Fremont Energy Center is a natural gas fired, combined cycle, electric power generation plant with a capacity of 512 MW (unfired)/675 MW (fired), consisting of two combustion turbines, two heat recovery steam generators and one steam turbine and condenser.

AMP subsequently sold a 5.16% undivided ownership interest in AFEC to Michigan Public Power Agency and entered into a power sales contract with the Central Virginia Electric Cooperative for the output associated with a 4.15% undivided ownership interest in AFEC. The output of AFEC associated with the remaining 90.69% undivided ownership interest (the “90.69% Interest”) is sold to AMP Members pursuant to a take-or-pay power sales contract with 87 of its members (the “AFEC Power Sales Contract”).

To provide permanent financing for the 90.69% Interest, in 2012, AMP issued, in two series \$546,085,000 of its AMP Fremont Energy Center Project Revenue Bonds (the “AFEC Bonds”), consisting of taxable and tax-exempt obligations. The AFEC Bonds are net revenue obligations of AMP, secured by a master trust indenture and payable from amounts received by AMP under the AFEC Power Sales Contract. On December 20, 2017, AMP issued bonds to refund all of the callable tax-exempt AFEC Bonds issued in 2012. As of December 31, 2017, \$508,465,000 aggregate principal amount of AFEC Bonds was outstanding.

The Village of Elmore has executed a take-or-pay power sales contract with AMP as a participant of the AFEC of 300 kW or 0.14% of capacity and associated energy from the AFEC.

E. Prairie State Energy Campus

On December 20, 2007, AMP acquired a 23.26% undivided ownership interest (the “PSEC Ownership Interest”) in the Prairie State Energy Campus (“PSEC”), a two-unit, supercritical coal-

Village of Elmore
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

fired power plant designed to have a net rated capacity of approximately 1,582 MW 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. Unit 1 of the PSEC commenced operations in the second quarter of 2012 and Unit 2 of the PSEC commenced operations in the fourth quarter of 2012.

From July 2008 through September 2010, AMP issued five series of Prairie State Energy Campus Revenue Bonds (collectively, the “Initial Prairie State Bonds”) to finance PSEC project costs and PSEC related expenses. The Initial Prairie State Bonds consist of tax-exempt, taxable and tax advantaged Build America Bonds issued in the original aggregate principal amount of \$1,696,800,000. On January 14, 2015 and November 30, 2017, AMP issued bonds to refund all of the callable tax-exempt Initial Prairie State Bonds issued in 2008 and 2009. As of December 31, 2017, AMP had \$1,552,270,000 aggregate principal amount of Prairie State Bonds.

AMP sells the power and energy from the PSEC Ownership Interest pursuant to a take-or-pay power sales contract with 68 Members (the “Prairie State Participants”). 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 of Elmore has executed a take-or-pay power sales contract with AMP as a participant of the PSEC of 498 kW or 0.14% of capacity and associated energy from the PSEC.

Note 13 – AMP Revenue Coverage

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 12. 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:

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Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

	<u>2016</u>
Total Assets	\$1,476,389
Total Liabilities	\$342,588
 Condensed Operating Information:	
Operating Receipts	
Charges for Services	\$ 1,696,048
Operating Expenses	<u>1,464,772</u>
Operating Income	231,276
Nonoperating Receipts (Disbursements)	
Principal Payments	(157,932)
Interest Payments	(15,641)
Other Nonoperating Receipts (Disbursements)	(19,046)
Transfers	<u>52,031</u>
Change in Fund Cash Balance	90,688
Beginning Fund Cash Balance	<u>1,385,701</u>
Ending Fund Cash Balance	<u><u>\$1,476,389</u></u>
 Condensed Cash Flows Information:	
	<u>2016</u>
Net Cash Provided (Used) by:	
Operating Activities	\$231,276
Noncapital Financing Activities	
Other Noncapital Financing Activities	<u>52,031</u>
Net Cash Provided (Used) by Noncapital Financing Activities	52,031
Capital and Related Financing Activities	
Principal Payments on Capital and Related Debt	(157,932)
Interest Payments on Capital and Related Debt	(15,641)
Other Capital and Related Financing Activities	<u>(19,046)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	(192,619)
Net Increase (Decrease)	90,688
Beginning Fund Cash Balance	<u>1,385,701</u>
Ending Fund Cash Balance	<u><u>\$1,476,389</u></u>



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, 2017 and 2016, and the related notes to the financial statements, and have issued our report thereon dated December 12, 2018, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also qualified our opinion due to the lack of sufficient appropriate audit evidence supporting the amounts recorded as General and Capital Project Funds municipal income tax receipts for 2017.

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 certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2017-001 and 2017-002 to be material weaknesses.

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 an instance of noncompliance or other matters we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2017-002.

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.

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

December 12, 2018

**VILLAGE OF ELMORE
OTTAWA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 and 2016**

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

We identified the following errors requiring adjustment to the financial statements and/or notes to the financial statements for the year ended December 31, 2017:

- General Fund assigned fund balance in the amount of \$65,418 has been reclassified from unassigned in accordance with the provisions of Governmental Accounting Standards Board Statement No. 54 (GASB Cod 1800.165 - .179);
- Capital Projects Fund Type principal payments in the amount of \$205,705 were incorrectly classified as capital outlay expenditures; and
- Enterprise Fund Type principal payments in the amount of \$286,984 were incorrectly classified as interest and other fiscal charges.

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, 2016:

- General Fund assigned fund balance in the amount of \$7,837 has been reclassified from unassigned in accordance with the provisions of Governmental Accounting Standards Board Statement No. 54 (GASB Cod 1800.165 - .179);
- Special Revenue Fund restricted fund balance in the amount of \$196,197 has been reclassified from committed in accordance with the provisions of Governmental Accounting Standards Board Statement No. 54 (GASB Cod 1800.165 - .179);
- Capital Projects Fund Type committed fund balance in the amount of \$539,046 has been reclassified from restricted in accordance with the provisions of Governmental Accounting Standards Board Statement No. 54 (GASB Cod 1800.165 - .179);
- Capital Projects Fund Type principal payments in the amount of \$183,776 were incorrectly classified as capital outlay expenditures; and
- Enterprise Fund Type principal payments in the amount of \$145,692 were incorrectly classified as interest and other fiscal charges.

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, notes to the financial statements, and, where applicable, the Village's accounting records have been adjusted to reflect these changes. Additional insignificant errors were also noted for the years ended December 31, 2017 and 2016.

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

FINDING NUMBER 2017-002

Noncompliance/Material Weakness – Deficient Accounting Records

Ohio Admin. Code 117-2-01(D) provides that when designing the public office's system of internal control and the specific control activities, management should consider the following:

- Ensure that all transactions are properly authorized in accordance with management's policies.
- Ensure that accounting records are properly designed and maintained.
- Ensure adequate security of assets and records.
- Plan for adequate segregation of duties or compensating controls.
- Verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.
- Perform analytical procedures to determine the reasonableness of financial data.
- Ensure the collection and compilation of the data needed for the timely preparation of financial statements.
- Monitor activities performed by service organizations.

During 2017, the Village switched from maintaining income tax records themselves, to having a Service Organization administer and collect the income tax. During this transition period, records were not adequately maintained by the Village, and internal controls over the Village's collection of income tax receipts for the General and Capital Projects Fund were not in place and operating effectively. For the period of April through December of 2017, Income Tax Receipts totaling \$414,297 or 74% of all income tax receipts did not have adequate supporting documentation. As a result of this weakness, we qualified our audit opinion over income tax receipts.

Lack of controls and poor recordkeeping increases the risk that theft, fraud, or errors could occur and not be detected in a timely manner. Having no reliable source documentation to substantiate daily receipts inhibits the Village's ability to ensure the completeness and accuracy of receipts.

The Village should work with the new Service Organization to help ensure that adequate internal controls will be in place for the future and that adequate accounting records are maintained.

Officials' Response:

We did not receive a response from Officials to the findings reported above.

THE VILLAGE OF ELMORE

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

Finding Number	Finding Summary	Status	Additional Information
2015-001	Finding was first reported during the audit of the 2012-2013 financial statements. Material Weakness – Financial Reporting.	Not corrected and reissued as Finding 2017-001 in this report.	The Village declined the opportunity to respond and therefore did not provide reasoning for the continuation of this comment.

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Dave Yost • Auditor of State

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
DECEMBER 27, 2018