



Dave Yost • Auditor of State

VILLAGE OF OHIO CITY
VAN WERT COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2012	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2012	4
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2011	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2011	6
Notes to the Financial Statements	7
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	17
Schedule of Findings.....	19
Schedule of Prior Audit Findings.....	21

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Ohio City
Van Wert County
103 South Main Street
Ohio City, Ohio 45874

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Ohio City, Van Wert County, (the Village) as of and for the years ended December 31, 2012 and 2011.

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 of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

One First National Plaza, 130 W. Second St., Suite 2040, Dayton, Ohio 45402
Phone: 937-285-6677 or 800-443-9274 Fax: 937-285-6688

www.ohioauditor.gov

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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, 2012 and 2011, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Ohio City, Van Wert County as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, described in Note 1.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during 2011 the Village of Ohio City adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Also, as discussed in Note 11, the Village restated its beginning fund balances for 2011. Our opinion is not modified with respect to these matters.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2013, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

October 24, 2013

**VILLAGE OF OHIO CITY
VAN WERT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$52,759	\$23,426		\$76,185
Municipal Income Tax	62,094			62,094
Intergovernmental	50,834	60,933	\$136,670	248,437
Charges for Services		71,184		71,184
Fines, Licenses and Permits	6,157			6,157
Earnings on Investments	177	7		184
Miscellaneous	19,381	2,830		22,211
Total Cash Receipts	<u>191,402</u>	<u>158,380</u>	<u>136,670</u>	<u>486,452</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	24,495	54,747		79,242
Public Health Services	4,525			4,525
Leisure Time Activities	3,197	50		3,247
Basic Utility Services	3,828			3,828
Transportation		44,998		44,998
General Government	109,755			109,755
Capital Outlay	70,206	14,281	142,670	227,157
Debt Service:				
Principal Retirement		19,000		19,000
Total Cash Disbursements	<u>216,006</u>	<u>133,076</u>	<u>142,670</u>	<u>491,752</u>
Excess of Receipts Over (Under) Disbursements	<u>(24,604)</u>	<u>25,304</u>	<u>(6,000)</u>	<u>(5,300)</u>
Other Financing Receipts (Disbursements):				
Transfers In	6,210		6,209	12,419
Transfers Out	(51,130)			(51,130)
Total Other Financing Receipts (Disbursements)	<u>(44,920)</u>		<u>6,209</u>	<u>(38,711)</u>
Net Change in Fund Cash Balances	(69,524)	25,304	209	(44,011)
Fund Cash Balances, January 1	<u>141,421</u>	<u>93,077</u>	<u>14,539</u>	<u>249,037</u>
Fund Cash Balances, December 31:				
Restricted		118,331	14,748	133,079
Unassigned (Deficit)	71,897	50		71,947
Fund Cash Balances, December 31	<u>\$71,897</u>	<u>\$118,381</u>	<u>\$14,748</u>	<u>\$205,026</u>

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

**VILLAGE OF OHIO CITY
VAN WERT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts:			
Charges for Services	\$975,396		\$975,396
Miscellaneous	32,150	1,969	34,119
Total Operating Cash Receipts	<u>1,007,546</u>	<u>1,969</u>	<u>1,009,515</u>
Operating Cash Disbursements:			
Personal Services	144,434		144,434
Employee Fringe Benefits	82,577		82,577
Contractual Services	72,959		72,959
Supplies and Materials	500,713		500,713
Claims		4,031	4,031
Total Operating Cash Disbursements	<u>800,683</u>	<u>4,031</u>	<u>804,714</u>
Operating Income (Loss)	<u>206,863</u>	<u>(2,062)</u>	<u>204,801</u>
Non-Operating Receipts (Disbursements):			
Sale of Notes	46,022		46,022
Capital Outlay	(55,770)		(55,770)
Principal Retirement	(177,388)		(177,388)
Interest and Other Fiscal Charges	(95,401)		(95,401)
Total Non-Operating Receipts (Disbursements)	<u>(282,537)</u>		<u>(282,537)</u>
Income (Loss) before Transfers	(75,674)	(2,062)	(77,736)
Transfers In	<u>38,711</u>		<u>38,711</u>
Net Change in Fund Cash Balances	(36,963)	(2,062)	(39,025)
Fund Cash Balances, January 1	<u>475,328</u>	<u>9,635</u>	<u>484,963</u>
Fund Cash Balances, December 31	<u><u>\$438,365</u></u>	<u><u>\$7,573</u></u>	<u><u>\$445,938</u></u>

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

**VILLAGE OF OHIO CITY
VAN WERT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$56,929	\$26,366		\$83,295
Municipal Income Tax	57,154			57,154
Intergovernmental	43,097	173,542	\$628,670	845,309
Charges for Services		76,310		76,310
Fines, Licenses and Permits	528			528
Earnings on Investments	1,211	57		1,268
Miscellaneous	13,810	16,402		30,212
Total Cash Receipts	<u>172,729</u>	<u>292,677</u>	<u>628,670</u>	<u>1,094,076</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	35,976	58,938		94,914
Public Health Services	4,613			4,613
Leisure Time Activities	7,058	25		7,083
Basic Utility Services	12,196			12,196
Transportation		36,999		36,999
General Government	136,596			136,596
Capital Outlay	57,748	185,115	628,670	871,533
Debt Service:				
Principal Retirement		19,000		19,000
Total Cash Disbursements	<u>254,187</u>	<u>300,077</u>	<u>628,670</u>	<u>1,182,934</u>
Excess of Receipts Over (Under) Disbursements	<u>(81,458)</u>	<u>(7,400)</u>		<u>(88,858)</u>
Other Financing Receipts (Disbursements):				
Sale of Capital Assets		12,420		12,420
Transfers In	13,464		5,715	19,179
Transfers Out	(51,569)		(7,748)	(59,317)
Total Other Financing Receipts (Disbursements)	<u>(38,105)</u>	<u>12,420</u>	<u>(2,033)</u>	<u>(27,718)</u>
Net Change in Fund Cash Balances	(119,563)	5,020	(2,033)	(116,576)
Fund Cash Balances, January 1 (Restated)	<u>260,984</u>	<u>88,057</u>	<u>16,572</u>	<u>365,613</u>
Fund Cash Balances, December 31:				
Restricted		93,077	14,539	107,616
Unassigned (Deficit)	141,421			141,421
Fund Cash Balances, December 31	<u>\$141,421</u>	<u>\$93,077</u>	<u>\$14,539</u>	<u>\$249,037</u>

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

**VILLAGE OF OHIO CITY
VAN WERT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Agency</u>	<u>(Memorandum Only)</u>
Operating Cash Receipts:			
Charges for Services	\$959,651		\$959,651
Miscellaneous	33,122	10,005	43,127
Total Operating Cash Receipts	<u>992,773</u>	<u>10,005</u>	<u>1,002,778</u>
Operating Cash Disbursements:			
Personal Services	156,146		156,146
Employee Fringe Benefits	79,250		79,250
Contractual Services	81,736		81,736
Supplies and Materials	562,983		562,983
Claims		4,886	4,886
Total Operating Cash Disbursements	<u>880,115</u>	<u>4,886</u>	<u>885,001</u>
Operating Income	<u>112,658</u>	<u>5,119</u>	<u>117,777</u>
Non-Operating Receipts (Disbursements):			
Intergovernmental	737,285		737,285
Sale of Notes	4,152,156		4,152,156
Capital Outlay	(2,669,045)		(2,669,045)
Principal Retirement	(2,229,639)		(2,229,639)
Interest and Other Fiscal Charges	(24,557)		(24,557)
Total Non-Operating Receipts (Disbursements)	<u>(33,800)</u>		<u>(33,800)</u>
Income (Loss) before Transfers	78,858	5,119	83,977
Transfers In	<u>40,138</u>		<u>40,138</u>
Net Change in Fund Cash Balances	118,996	5,119	124,115
Fund Cash Balances, January 1	<u>356,332</u>	<u>4,516</u>	<u>360,848</u>
Fund Cash Balances, December 31	<u><u>\$475,328</u></u>	<u><u>\$9,635</u></u>	<u><u>\$484,963</u></u>

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

**VILLAGE OF OHIO CITY
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Ohio City, Van Wert County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water, sewer, and electric utilities, park operations, police services, and fire services.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

Fire Levy Fund – This fund receives tax levy monies and charges for services to be used for fire protection.

3. Capital Project Funds

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

VILLAGE OF OHIO CITY
VAN WERT COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

North Main Street– This fund received OPWC monies for the payment of main street engineering and reconstruction costs.

CDBG County Distress– This fund received CDBG monies for the revitalization of the village by funding various projects such as removal of a building, flood drainage project, handicap restroom at the park, and other projects.

4. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

Electric Fund - This fund receives charges for services from residents to cover electric service costs.

5. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for reimbursement of health care deductibles for employees.

D. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

VILLAGE OF OHIO CITY
VAN WERT COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and re-appropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2012 and 2011 budgetary activity appears in Note 4.

9. Fund Balance

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

1. Non-spendable

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

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

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

**VILLAGE OF OHIO CITY
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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.

: . Property, Plant, and Equipment

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

; . 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.

2. CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2011, the Village implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* as required. However, no funds were reclassified as required by the revised fund classification guidance which would affect fund balances previously reported.

3. Equity in Pooled Deposits

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

	2012	2011
Demand deposits	\$650,964	\$734,000
Total deposits	\$650,964	\$734,000

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

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 201,410	\$ 197,612	(\$ 3,798)
Special Revenue	170,130	158,380	(11,750)
Capital Projects	169,550	142,879	(26,671)
Enterprise	1,203,750	1,092,279	(111,471)
Fiduciary		1,969	1,969
Total	\$1,744,840	\$1,593,119	(\$151,721)

**VILLAGE OF OHIO CITY
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

4. BUDGETARY ACTIVITY (Continued)

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 295,901	\$ 267,136	\$ 28,765
Special Revenue	146,125	133,076	13,049
Capital Projects	169,250	142,670	26,580
Enterprise	1,246,029	1,129,242	116,787
Fiduciary		4,031	(4,031)
Total	<u>\$1,857,305</u>	<u>\$1,676,155</u>	<u>\$181,150</u>

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 219,267	\$ 186,193	(\$ 33,074)
Special Revenue	317,474	305,097	(12,377)
Capital Projects	796,889	634,385	(162,504)
Enterprise	5,989,960	5,922,352	(67,608)
Fiduciary		10,005	10,005
Total	<u>\$7,323,590</u>	<u>\$7,058,032</u>	<u>(\$265,558)</u>

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 343,240	\$ 305,756	\$ 37,484
Special Revenue	315,550	300,077	15,473
Capital Projects	798,137	636,418	161,719
Enterprise	6,042,088	5,803,356	238,732
Fiduciary		4,886	(4,886)
Total	<u>\$7,499,015</u>	<u>\$7,050,493</u>	<u>\$448,522</u>

5. PROPERTY Tax

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

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

6. LOCAL INCOME TAX

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

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 OHIO CITY
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

7. DEBT

Debt outstanding at December 31, 2012 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan #CM729	\$ 4,000	0%
Ohio Public Works Commission Loan #CT37C	99,984	2%
Ohio Public Works Commission Loan #CU06D	97,521	0%
Ohio Public Works Commission Loan #CT59J	10,034	0%
Ohio Public Works Commission Loan #CT60M	950,000	0%
Ohio Water Development Authority Loan #3635	123,249	5.65%
Ohio Water Development Authority Loan #3993	10,000	2%
Ohio Water Development Authority Loan #4749	93,332	2%
Ohio Water Development Authority Loan #5171	736,082	1.50%
Ohio Water Development Authority Loan #5682	1,160,439	0%
Department of Commerce Revolving Loan Rural Development	123,500	0%
	<u>2,044,000</u>	4.25%
Total	<u>\$5,452,141</u>	

The Ohio Public Works Commission (OPWC) loans #CM729 and #CT37C and the Ohio Water Development Authority (OWDA) loan #3635 relate to a sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The project has been split into phases and the OPWC and OWDA have approved loans to apply to specific phases of the project. OPWC loan #CM729 will be repaid in semiannual installments of \$1,000 with 0% interest over 20 years. The OPWC loan #CT37C will be repaid in annual payments totaling \$10,604 over 20 years. The OWDA loan #3635 will be repaid in annual payments totaling \$10,509, including interest over 30 years.

The OPWC loan #CU06D relates to a water plant expansion project that was mandated by the Ohio Environmental Protection Agency. The OPWC loan #CU06D will be repaid in annual payments totaling \$11,473, with 0% interest, over 20 years.

The OWDA loan #3993 relates to the construction phase of the water plant expansion project. The OWDA loan #3993 will be repaid in annual principal installments of \$5,000 plus interest, over 10 years.

The OPWC loan #CT60M and the OWDA loan #5682 relates to the planning stage of the sewer plant expansion project. The OPWC loan #CT60M will be repaid in annual payments totaling \$33,333, with 0% interest, over 30 years. The OWDA loan #5682 will be repaid in annual principal installments of \$76,500. Since this project is not yet complete, it is not included in the schedule below.

The OPWC loan #CT59J related to the planning state of the replacement of the central water system. The OWDA loan #4749 relates to the water and sewer replacement project. The OPWC loan #CT59J will be repaid in annual payments totaling \$573, with 0% interest, over 20 years. The OWDA loan #4749 will be repaid in annual payments \$4,837 including interest over the next 30 years.

The OWDA loan #3935 was rolled into OWDA loan #5171 on January 1, 2009. The OWDA loan #5171 and the Rural Development loan relate to the construction phase of the water plant expansion project. The OWDA #5171 will be repaid in annual payments totaling \$33,255 including interest, over 30 years. The Rural Development loan will be repaid in annual installments of approximately \$108,200 including interest, over the next 39 years.

**VILLAGE OF OHIO CITY
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

7. DEBT (Continued)

The Department of Commerce provided the Village with an interest free revolving loan to purchase fire equipment and machinery. The Department of Commerce loan is to be repaid in quarterly installments of \$4,750 over 10 years.

<u>Year ending December 31:</u>	<u>OPWC CM729</u>	<u>OPWC CT37C</u>	<u>OPWC CU06D</u>	<u>OPWC CT59J</u>	<u>OPWC CT60M</u>	<u>OWDA 3635</u>
2013	\$2,000	\$ 10,604	\$11,473	\$ 573	\$ 33,333	\$ 10,509
2014	2,000	10,604	11,473	573	33,333	10,509
2015		10,604	11,473	573	33,333	10,509
2016		10,604	11,473	573	33,333	10,509
2017		10,604	11,473	573	33,333	10,509
2018-2022		53,024	40,156	2,867	166,667	52,548
2023-2027		5,303		2,867	166,667	52,548
2028-2032				1,435	166,667	47,294
2033-2037					166,667	
2038-2042					116,667	
Total	<u>\$4,000</u>	<u>\$111,347</u>	<u>\$97,521</u>	<u>\$10,034</u>	<u>\$950,000</u>	<u>\$204,935</u>

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

<u>Year ending December 31:</u>	<u>OWDA 3993</u>	<u>OWDA 4749</u>	<u>OWDA 5171</u>	<u>Dept of Commerce</u>	<u>Rural Development</u>	<u>Total Principal and Interest</u>
2013	\$ 5,220	\$ 4,837	\$ 33,255	\$ 19,000	\$ 108,170	\$ 238,974
2014	5,110	4,837	33,255	19,000	108,265	238,959
2015		4,837	33,255	19,000	108,217	231,801
2016		4,837	33,255	19,000	108,231	231,815
2017		4,837	33,255	19,000	108,203	231,787
2018-2022		24,187	166,277	28,500	541,100	1,075,326
2023-2027		24,187	166,277		541,101	958,950
2028-2032		24,187	166,277		541,039	946,899
2033-2037		21,769	166,277		541,051	895,764
2038-2042			66,509		541,152	724,328
2043-2047					541,055	541,055
2048-2052					432,855	432,855
Total	<u>\$10,330</u>	<u>\$118,515</u>	<u>\$897,892</u>	<u>\$123,500</u>	<u>\$4,220,439</u>	<u>\$6,748,513</u>

8. RETIREMENT SYSTEMS

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is 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. For 2012 and 2011, OPERS participants contributed 10% of their wages. For 2012 and 2011, the Village contributed to OPERS an amount equal to 14% of members' wages. The Village has paid all contributions required through December 31, 2012.

**VILLAGE OF OHIO CITY
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

9. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

The Village maintains coverage as listed above through private carriers with limits of one million on liability, one million for personal injury, fifty thousand for fire damages and five thousand for medical expenses for any one person.

The Village also provides health insurance and dental coverage to full-time employees through a private carrier.

10. AMERICAN MUNICIPAL POWER GENERATING STATION PROJECT

The Village of Ohio City is a participant in the American Municipal Power Generating Station Project (the "AMPGS Project"). The Village executed a take-or-pay contract on November 1, 2007 in order to participate in the AMPGS Project.

A. History of the AMPGS Project

In November 2009, the participants of the AMP Generating Station Project (the "AMPGS Project") voted to terminate the development of the pulverized coal power plant in Meigs County, Ohio. The AMPGS Project was to be a 1,000 MW base load, clean-coal technology plant scheduled to go on-line in 2014. This pulverized coal plant was estimated to be a \$3 billion project, but the project's estimated capital costs increased by 37% and the engineer, procure and construct ("EPC") contractor could not guarantee that the costs would not continue to escalate. At the termination date, minimal construction had been performed on the AMPGS Project at the Meigs County site.

At the same time, the participants voted to pursue conversion of the project to a Natural Gas Combined Cycle Plant (the "NGCC Plant") to be developed under a lump-sum-turn-key fixed-price contract that would be open to interested AMP members. The NGCC Plant was planned to be developed on the Meigs County site previously planned for the AMPGS project. In February 2011, development of the NGCC Plant was suspended due to the availability of purchasing the AMP Fremont Energy Center ("AFEC") at a favorable price. AMP intends to develop this site for the construction of a generating asset; however, at December 31, 2012, the type of generating asset has not been determined.

As mentioned above, the AMPGS project participants signed "take or pay" contracts with AMP. As such, the participants of the project are obligated to pay all costs incurred for the project. To date it has not been determined what those total final costs are for the project participants.

**VILLAGE OF OHIO CITY
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

10. AMERICAN MUNICIPAL POWER GENERATING STATION PROJECT (Continued)

As a result of these decisions to date, the AMPGS Project costs have been reclassified out of construction work-in-progress and into plant held for future use or regulatory assets in the combined balance sheet. AMP has reclassified \$34,881,075 of costs to plant held for future use as these costs were determined to be associated with the undeveloped Meigs County site regardless of the determination of which type of generating asset will be developed on the site. The remaining costs previously incurred were determined to be impaired but reclassified as a regulatory asset which is fully recoverable from the AMPGS Project participants as part of their unconditional obligation under the "take or pay" contract. At December 31, 2012 AMP has a regulatory asset of \$96,544,650 for the recovery of these abandoned construction costs. AMP is currently working with the AMPGS project participants to establish a formal plan for the recovery on a participant by participant basis.

AMP has consistently communicated with the AMPGS participants as to the risks and uncertainties with respect to the outstanding potential liability the Village has as a result of the cancellation of the AMPGS Project. Meetings with AMPGS Project participants have been held as necessary to communicate any updates to both costs being incurred and ongoing litigation. At the request of the participants, on November 18, 2011 and December 13, 2011 AMP sent memos to AMPGS participants providing the participant's information identifying their potential AMPGS stranded cost liability and providing options for payment of those stranded costs, if the participant so chose. These memos were not invoices, but provided the participants with information which they could utilize in determining if they wanted to pay down a portion or all of the identified maximum exposure. AMP is holding the AMPGS Project stranded costs on its revolving credit facility and is accruing interest in addition to legal fees being incurred in its case with the EPC contractor. AMP would hold any payments received as a deposit in order to cease interest accruals on that portion paid.

Based on an allocation to Ohio City of 400 kW and the allocation methodology, both approved as the same by the AMP Board of Trustees, as of December 31, 2012 the Village of Ohio City has a potential stranded cost obligation of \$68,405 for the AMPGS Project. The Village of Ohio City does not have any payments on deposit with AMP at December 31, 2012.

B. AMP Fremont Energy Center (AFEC) Development Fee

The AFEC Development Fee is the amount paid by AFEC participants to the AMPGS project as a Development Fee in August, 2011. AFEC participants are a separate group of AMP members that obtained financing for engineering, consulting and other development costs for expertise obtained by AMP for Natural Gas Combined Cycle power plants. This amount is financed by AMP, Inc. and is to be collected through debt service from AFEC participants. The Development Fee paid by all AFEC Participants is credited to the potential AMPGS costs of each AFEC participant that is also an AMPGS participant in proportion to their relative percentage of AFEC (but not less than zero) as approved by the AMP Board. The Village is a participant in the AFEC project and has received a credit to reduce its share of AMPGS potential stranded costs as noted below.

Based on the allocation methodology approved by the AMP Board of Trustees as mentioned above, the Village receives a credit of \$12,040 for being a participant in both projects. This credit is proportionate to its AFEC allocation kW share of 115 and the total kW share of those participating in both projects. The Village has not recorded this credit in its financial statements as of December 31, 2012.

VILLAGE OF OHIO CITY
VAN WERT COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)

10. AMERICAN MUNICIPAL POWER GENERATING STATION PROJECT (Continued)

C. Recording of Stranded Costs

The Village of Ohio City has not requested an invoice from AMP for the potential stranded. The Village is not intending to request an invoice from AMP until such time as the litigation with the EPC contractor is finalized.

In making its determination as to how to proceed with the accounting treatment for the potential AMPGS Project liability, the Village has relied upon information provided by AMP and its legal counsel with respect to the data, as well as the Village's audit team and Village management.

11. FUND BALANCE

The Village restated beginning fund balances at January 1, 2011 to reflect unsupported prior period adjustments. The restated fund balances were as follows:

Fund Type	December 31, 2010 Audit Report	Adjustment Amount	Restated January 1, 2011
General Fund	\$245,906	\$15,078	\$260,984
Special Revenue Fund	88,093	(36)	88,057
Capital Projects Fund	34,311	(17,739)	16,572
Enterprise Fund	353,635	2,697	356,332



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 Ohio City
Van Wert County
103 South Main Street
Ohio City, Ohio 45874

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 Village of Ohio City, Van Wert County, (the Village) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated October 24, 2013 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, the Village adopted provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and the Village restated its beginning fund balances for 2011.

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 opinion 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a 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. We consider finding 2012-01 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed 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 2012-01.

Entity's Response to Findings

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

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

October 24, 2013

**VILLAGE OF OHIO CITY
VAN WERT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011**

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

FINDING NUMBER 2012-001

Noncompliance Citation/Material Weakness

Financial Reporting

Ohio Rev. Code Section 733.28 requires the village clerk to keep the books of the Village and exhibit accurate statements of all monies received and expended.

Due to the Village utilizing manual records, some revenues and expenditures were included on the same page in the ledger and were not separated out when preparing the annual report. The following errors were noted, which required adjustments or reclassifications to be made to the Village's annual financial statements:

- In 2012 and 2011, the Special Revenue Funds required a reclassification from miscellaneous revenue to intergovernmental revenue in the amount of \$18,105 and \$130,000, respectively;
- In 2011, Special Revenue Funds required a reclassification from miscellaneous revenue to sale of capital assets in the amounts of \$12,420;
- In 2012 and 2011, Enterprise Funds required a reclassification from the power purchase and refunds line item to supplies and materials in the amount of \$415,285 and \$470,325, respectively;
- In 2011, \$24,557 in capitalized interest was added as loan proceeds and interest/fiscal charges in the Enterprise Funds;
- In 2012, a reclassification was made in the General Fund to move \$17,714 from miscellaneous revenue to intergovernmental revenue;
- In 2012, \$95,401 in interest expense was reclassified from principal payments in the Enterprise Funds;
- In both 2012 and 2011, the entire health reimbursement savings account activity was added as an Agency Fund;
- In 2011, the Enterprise Funds required a reclassification to report loans/grants as loan proceeds in the amount of \$2,083,599 and intergovernmental revenue in the amount of \$309,700.

Additionally, the following unadjusted errors were noted with the Village's financial statements:

- In 2011, the Special Revenue Funds had \$10,880 in intergovernmental revenue that was incorrectly recorded as miscellaneous revenue.
- In 2011, the General Fund had \$4,757 in sale of capital assets that was incorrectly recorded as miscellaneous revenue.
- In 2012 and 2011, there were intra-fund transfers involving the General Fund and Enterprise Funds that were reported on the financial statements. Such intra-fund transfers should not be reported on the financial statements.
- In 2012 and 2011, Enterprise Funds incorrectly reported \$9,236 and \$26,977, respectively, in interest payments as principal.

Finally, the Village's beginning fund balances for 2011 did not agree to the previous audit ending fund balances at December 31, 2010 for each fund type. This resulted in a restatement of beginning fund balances as disclosed in the Village's note disclosure.

**FINDING NUMBER 2012-001
(Continued)**

Failure to monitor the financial statement process and prepare accurate financial statements could lead to audit adjustments, consistency problems, and issues in appropriately monitoring revenues and expenditures.

The Village should implement procedures to ensure that financial activity is posted correctly on its manual ledgers and reported correctly on its year-end financial statements. The Village should closely monitor the financial statement process to ensure that beginning fund balances agree to prior audited ending balances. The Village should also consider implementing a computerized accounting software system to track financial activity throughout the year.

Official's Response: The Fiscal Officer will make the noted change to place grant money in intergovernmental instead of miscellaneous and will add the HRA Account to the Agency Funds.

**VILLAGE OF OHIO CITY
VAN WERT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Ord 2-3-86 - No penalty or interest assessed on late income tax returns and not all taxpayers filed returns	No	Partially corrected and repeated in management letter
2010-002	Dual signatures on checks	Yes	
2010-003	Recording of pass-through grants and loans	Yes	

This page intentionally left blank.



Dave Yost • Auditor of State

VILLAGE OF OHIO CITY

WEST 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 3, 2013