



Dave Yost • Auditor of State



# OHIO AUDITOR OF STATE **KEITH FABER**



January 24, 2019

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 14, 2019. Reports completed prior to that date contain the signature of my predecessor.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio



VILLAGE OF GENOA  
OTTAWA COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Village of Genoa  
Ottawa County  
102 East 6<sup>th</sup> Street  
Genoa, Ohio 43430

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 Genoa, 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 opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2017 and 2016, and the respective 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 cash balances, receipts and disbursements by fund type, and related notes of the Village of Genoa, 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.

***Emphasis of Matter***

As discussed in Note 14 to the financial statements, during 2016, the Village has elected to change its financial presentation to an 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). We issued adverse opinions on the financial statements for not following GAAP and unmodified opinions on the regulatory basis presented.



***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2019, 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

January 9, 2019

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

	General	Special Revenue	Debt Service	Capital Projects	ERROR Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$132,598	\$59,303			\$191,901
Municipal Income Tax	888,501				888,501
Intergovernmental	42,138	124,952			167,090
Special Assessments		5,000			5,000
Fines, Licenses and Permits	14,539	16,337		\$3,795	34,671
Earnings on Investments	3,430	14,439			17,869
Miscellaneous	89,425	12,733			102,158
					5
<i>Total Cash Receipts</i>	<u>1,170,631</u>	<u>232,764</u>		<u>3,795</u>	<u>1,407,195</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	447,438				447,438
Leisure Time Activities		72,418			72,418
Transportation		134,063			134,063
Contractual Services	9,453				9,453
General Government	343,896	277			344,173
Capital Outlay	12,899			62,911	75,810
Debt Service:					
Principal Retirement			\$388,616	45,623	434,239
Interest and Fiscal Charges			85,893		85,893
<i>Total Cash Disbursements</i>	<u>813,686</u>	<u>206,758</u>	<u>474,509</u>	<u>108,534</u>	<u>1,603,487</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>356,945</u>	<u>26,006</u>	<u>(474,509)</u>	<u>(104,739)</u>	<u>(196,292)</u>
<b>Other Financing Receipts (Disbursements)</b>					
Transfers In			378,762	155,489	534,251
Transfers Out	(155,489)			(10)	(155,499)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(155,489)</u>		<u>378,762</u>	<u>155,479</u>	<u>378,752</u>
<i>Net Change in Fund Cash Balances</i>	201,456	26,006	(95,747)	50,740	182,460
<i>Fund Cash Balances, January 1</i>	<u>(44,404)</u>	<u>286,873</u>	<u>114,892</u>	<u>136,876</u>	<u>494,237</u>
<b>Fund Cash Balances, December 31</b>					
Restricted		312,879	19,145	977	333,001
Committed				186,639	186,639
Assigned	98,522				98,522
Unassigned	58,530				58,530
<i>Fund Cash Balances, December 31</i>	<u>\$157,052</u>	<u>\$312,879</u>	<u>\$19,145</u>	<u>\$187,616</u>	<u>\$676,692</u>

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

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

	Proprietary Fund Type
	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$3,293,938
Miscellaneous	326,708
<i>Total Operating Cash Receipts</i>	3,620,646
<b>Operating Cash Disbursements</b>	
Personal Services	403,265
Employee Fringe Benefits	261,277
Contractual Services	2,020,269
Supplies and Materials	113,614
Other	1,988
<i>Total Operating Cash Disbursements</i>	2,800,413
<i>Operating Income</i>	820,233
<b>Non-Operating Disbursements</b>	
Capital Outlay	(25,024)
Principal Retirement	(164,991)
Interest and Other Fiscal Charges	(4,000)
<i>Total Non-Operating Disbursements</i>	(194,015)
<i>Income before Transfers</i>	626,218
Transfers In	10
Transfers Out	(378,762)
<i>Net Change in Fund Cash Balances</i>	247,466
<i>Fund Cash Balances, January 1</i>	2,205,257
<i>Fund Cash Balances, December 31</i>	\$2,452,723

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

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

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**Note 1 – Reporting Entity**

The Village of Genoa (the Village), Ottawa County, Ohio, 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 general governmental services such as police protection, parks and recreation, building inspection, street maintenance and repairs, water, sewer and refuse collection services.

***Joint Ventures and Public Entity Risk Pool***

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

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for the proprietary fund type 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 Fund*** The street fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

***Parks and Recreation Fund*** The parks and recreation fund accounts for and reports receipts of taxes and fees for the purpose of providing recreational activities.

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

***Generation Substation Fund*** This fund uses transfers to pay principal and interest on various debt of the Village.

***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 Genoa  
Ottawa County  
Notes to the Financial Statements  
For the Year Ended December 31, 2017  
(Continued)**

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**Capital Improvements Fund** The capital improvements fund accounts for and reports the receipt of transfers committed by Council for the purpose of improving, constructing, and purchasing those items necessary to enhance the operation of the Village.

**Major Projects D-1 Fund** The major projects D-1 fund accounts for and reports the receipt of transfers committed by Council for the purpose of debt repayments.

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

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

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

**Electric Fund** The electric fund accounts for and reports the receipt of 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 disbursements 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 disbursements (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 canceled, and reappropriated in the subsequent year.

A summary of 2017 budgetary activity appears in Note 3.

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

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***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 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.

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.

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

**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	\$1,791,450	\$1,170,631	(\$620,819)
Special Revenue	207,700	232,764	25,064
Debt Service	371,500	378,762	7,262
Capital Projects	206,000	159,284	(46,716)
Enterprise	3,747,500	3,620,656	(126,844)
Total	<u>\$6,324,150</u>	<u>\$5,562,097</u>	<u>(\$762,053)</u>

2017 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$1,757,706	\$969,175	\$788,531
Special Revenue	286,155	206,758	79,397
Debt Service	481,875	474,509	7,366
Capital Projects	309,348	108,544	200,804
Enterprise	4,271,328	3,373,190	898,138
Total	<u>\$7,106,412</u>	<u>\$5,132,176</u>	<u>\$1,974,236</u>

**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:

	2017
Demand deposits	<u>\$1,419,161</u>
Certificates of deposit	<u>1,700,531</u>
Total deposits	<u>3,119,692</u>
StarOhio	<u>9,723</u>
Total deposits and investments	<u>\$3,129,415</u>

**Deposits**

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

**Investments**

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



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

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**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.

***Income Taxes***

The Village levies a 1.5 percent income tax on substantially all income earned in the Village as well as certain income of residents earned outside the Village. Employers within the Village withhold income tax on employee compensation. Corporations and other individual taxpayers remit estimated taxes quarterly and file a declaration annually. In 2017 and 2016, the receipts were posted to the General Fund.

**Note 6 – Risk Management**

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**Casualty and Property Coverage**

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2017, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

**Financial Position**

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017.

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

	<u>2017</u>
Assets	\$44,452,326
Liabilities	<u>(13,004,011)</u>
Net Position	<u>\$31,448,315</u>

At December 31, 2017 the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Village's share of these unpaid claims collectible in future years is approximately \$14,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<b><u>2017 Contributions to PEP</u></b>
<b><u>\$53,009</u></b>

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**Note 7 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Some 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 percent of their gross salaries and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

***Ohio Police and Fire Pension Fund***

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 percent of their wages. The Village contributed to OP&F an amount equal to 19.5 percent of full-time police members' wages. The Village has paid all contributions required through December 31, 2017.

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

**Note 8 – Postemployment Benefits**

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

**Note 9 – Debt**

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loans	\$155,689	various
Ohio Public Works Commission Loans	755,134	0.00%
AMP Ohio Line of Credit	2,572,000	various
OMEGA JV2 Debt	261	various
OMEGA JV5 Debt	227,997	various
Total	\$3,711,081	

The Ohio Water Development Authority (OWDA) loans relate to the wastewater treatment plant and waterline improvement. The Village will repay these loans through semiannual installments through the year 2021.

The Ohio Public Works Commission (OPWC) loans relate to sewer system and street repairs. The Village will repay these loans through semiannual installments through the year 2044.

The Mortgage Revenue Bonds relate to waterworks improvements. The Village paid off the loan in 2017.

The American Municipal Power (AMP Ohio) Line of Credit relates to the construction and improvements of substations, electrical upgrades and electric generators which are used in the Village of Genoa's electric system. The interest rates for the line of credit varies. Accordingly, no amortization schedule is available and the line of credit is not included in the schedule below. The Village pays a fixed amount each month and the amount charged to principal varies.

The Omega JV2 and JV5 loans relate to the purchase of Ohio Municipal Electronic Generation Agency Joint Venture 2 (OMEGA JV2) and Joint Venture 5 (OMEGA JV5). OMEGA JV2 and OMEGA JV5 are distributive generation projects. The interest rates for OMEGA JV2 and OMEGA JV5 vary. Accordingly, no amortization schedules are available and the loans are not included in the schedule below.

**Leases**

The Village leases a truck under a non-cancelable lease. The Village disbursed \$32,713 to pay lease costs for the year ended December 31, 2017.

The Village also leases a police car under a non-cancelable lease. The Village disbursed \$9,453 to pay lease costs for the year ended December 31, 2017.

**Amortization**

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

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

Year ending December 31:	OPWC Loans	OWDA Loans	Volvo Truck Lease	Police Car Lease
2018	\$45,623	\$41,648	\$32,713	\$9,453
2019	45,623	42,470	32,714	9,453
2020	45,623	43,343	24,535	
2021	45,623	44,273		
2022	45,623			
2023-2027	228,117			
2028-2032	158,442			
2033-2037	72,595			
2038-2042	54,167			
2043-2044	13,698			
Total	<u>\$755,134</u>	<u>\$171,734</u>	<u>\$89,962</u>	<u>\$18,906</u>

There is no amortization schedule available for the AMP Ohio BAN, OMEGA JV2 or OMEGA JV5 debt due to the variable interest rates.

**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 was intended to develop 1,638 kilowatts (kW) of a total 771,281 kW, giving the Village a .21% project 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. All project costs incurred prior to the cancellation and related to the cancellation were therefore deemed *impaired* and participants were obligated to pay those incurred costs.

In prior years, payment of these costs was not required due to AMP’s pursuit of legal action to collect them from Bechtel. As a result of a March 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability. The Village’s estimated share of the impaired costs at March 31, 2014 was \$283,643. The Village received a credit of \$99,402 related to their participation in the AMP Fremont Energy Center (AFEC) Project, and another credit of \$74,078 related to the AMPGS costs deemed to have future benefit for the project participants, classified as Plant Held for Future Use (PHFU, leaving an estimated net impaired cost balance of \$110,163. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact, either positively or negatively, the Village’s net impaired cost balance. These amounts will be recorded as they become estimable.

In late 2016, AMP reached a Settlement in the Bechtel Corporation 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.

Since March 31, 2014 the Village has made payments of \$22,033 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 \$2,854 and interest expense incurred on AMP’s line-of-credit of \$2,782, resulting in a net impaired cost estimate at December 31, 2016 of \$93,766. The Village does have a potential PHFU Liability of \$76,192 resulting in a net total potential liability of \$169,958, assuming the assets making up the PHFU (principally

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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.

The Village elected to finance this amount on AMP's revolving line of credit.

**Note 10 – Contingent Liabilities**

The Village is not currently defendant in any lawsuits.

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

**Note 11 – Joint Ventures**

**OMEGA JV5**

The Village is a Financing Participant and an ownership percentage of .69 %, 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 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, 2017, Genoa 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 non-defaulting JV5 Participant, an accumulated maximum kilowatts equal to 25% of such non-defaulting JV5 Participant's ownership share of the project prior to any such increases.

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OMEGA JV5 is managed by AMP, which acts as the joint venture's agent. 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 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's net investment and its share of the operating results of OMEGA JV5 ownership share of the project is 0.69 percent. The Village's net investment in OMEGA JV5 was \$20,616 at December 31, 2016 (most recent information available). 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](http://www.ohioauditor.gov)

### **OMEGA JV2**

The Village is a Financing Participant and an Owner Participant with percentages of liability and ownership of .19% and .15%, respectively, 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.

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Distributive Generation Bonds (Bonds) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. Under the terms of the Agreement each Financing 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 JV2 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2017, the Village of Genoa has met its debt coverage obligation.

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. OMEGA JV2 owns 138.65 MW of distributed generation, consisting of two 32 MW gas-fired turbines, one

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11 MW gas-fired turbine, one 1.6 MW diesel generator and thirty-four 1.825 MW diesel generators. OMEGA JV2 has approved the sale of the 1.6 MW diesel generator. AMP is responsible for the operation of the JV2 Project.

The Village's net investment and its share of the operating results of OMEGA JV2 ownership share of the project is 0.15 percent. The Village's net investment in OMEGA JV2 was \$15,065 at December 31, 2016 (most recent information available). Complete financial statements for OMEGA JV2 can be obtained from AMP at 1111 Schrock Road, Columbus, Ohio 43229, 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:

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

**Note 12 – 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 11. 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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For the Year Ended December 31, 2017  
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	<u>2017</u>
Total Fund Cash Balance	\$1,352,880
Total Long-Term Debt	\$228,257
 <b>Condensed Operating Information:</b>	
Operating Receipts	
Charges for Services	2,154,306
Other Operating Receipts	302,860
Total Operating Receipts	<u>2,457,166</u>
Operating Expenses	
Personal Services	189,132
Employee Fringe Benefits	117,972
Contractual Services	1,415,227
Supplies and Materials	24,414
Other	257
Total Operating Expenses	<u>1,747,002</u>
Operating Income	710,164
Nonoperating Disbursements	
Principal Payments	(75,197)
Other Nonoperating Disbursements	(11,631)
Transfers	<u>(314,752)</u>
Change in Fund Cash Balance	308,584
Beginning Fund Cash Balance	<u>1,044,296</u>
Ending Fund Cash Balance	<u><u>\$1,352,880</u></u>

	<u>2017</u>
<b>Condensed Cash Flows Information:</b>	
Net Cash Provided by:	
Operating Activities	\$2,457,167
Noncapital Financing Activities	
Principal Payments on Noncapital Debt	(75,197)
Other Noncapital Financing Activities	<u>(2,073,386)</u>
Net Cash Used by Noncapital Financing Activities	<u>(2,148,583)</u>
Net Increase	308,584
Beginning Fund Cash Balance	<u>1,044,296</u>
Ending Fund Cash Balance	<u><u>\$1,352,880</u></u>

**Note 13 – Miscellaneous Receipts**

Miscellaneous revenue in the General, Special Revenue, and Enterprise Funds primarily consisted of reimbursements and refunds from Omega JV 5.



**Village of Genoa  
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Notes to the Financial Statements  
For the Year Ended December 31, 2017  
(Continued)**

**Note 14 – Interfund Transactions**

The following is a reconciliation of the Village's transfers:

Fund	2017	
	Transfers In	Transfers Out
General		\$155,489
Generation Substation	\$301,000	
Washington St 5th St	36,500	
Equipment debt	41,262	
Capital Improvements	155,489	
Sewer Cap Improvements		10
Water Fund		50,254
Sewer Fund	10	13,754
Electric Fund		314,754
	\$534,261	\$534,261

Transfers are used to move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to use unrestricted receipts collected in the General Fund to finance various programs accounted for in the other funds in accordance with budgetary authorizations.

**Note 15 – Subsequent Events**

On July 1, 2017 the Village entered into two Project Grant/Loan Agreements with the Ohio Public Works Commission (OPWC) for the Washington Street Reconstruction Phase 3 Project for \$143,800 and the Water Booster Pump Station Improvement Project for \$51,825. The loans for these two projects were initialized in 2018.

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

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$139,000	\$60,397			\$199,397
Municipal Income Tax	874,484				874,484
Intergovernmental	43,219	184,800			228,019
Charges for Services		900			900
Fines, Licenses and Permits	14,655	15,785			30,440
Earnings on Investments	848	5,560			6,408
Miscellaneous	9,236	523		\$970	10,729
<i>Total Cash Receipts</i>	<u>1,081,442</u>	<u>267,965</u>		<u>970</u>	<u>1,350,377</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	422,766				422,766
Public Health Services	6,323				6,323
Leisure Time Activities	5,353	84,063			89,416
Community Environment	8,603				8,603
Transportation		175,281			175,281
General Government	312,091				312,091
Capital Outlay				185,175	185,175
Debt Service:					
Principal Retirement			\$420,168	45,623	465,791
Interest and Fiscal Charges			53,614		53,614
<i>Total Cash Disbursements</i>	<u>755,136</u>	<u>259,344</u>	<u>473,782</u>	<u>230,798</u>	<u>1,719,060</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>326,306</u>	<u>8,621</u>	<u>(473,782)</u>	<u>(229,828)</u>	<u>(368,683)</u>
<b>Other Financing Receipts (Disbursements)</b>					
Transfers In	150,001	4,000	566,114	278,431	998,546
Transfers Out	(282,432)				(282,432)
Other Financing Sources	13,318	2,044			15,362
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(119,113)</u>	<u>6,044</u>	<u>566,114</u>	<u>278,431</u>	<u>731,476</u>
<i>Net Change in Fund Cash Balances</i>	207,193	14,665	92,332	48,603	362,793
<i>Fund Cash Balances, January 1</i>	<u>(251,597)</u>	<u>272,208</u>	<u>22,560</u>	<u>88,273</u>	<u>131,444</u>
<b>Fund Cash Balances, December 31</b>					
Restricted		286,873	123,159	21,839	431,871
Committed				115,037	115,037
Unassigned (Deficit)	(44,404)		(8,267)		(52,671)
<i>Fund Cash Balances, December 31</i>	<u>(\$44,404)</u>	<u>\$286,873</u>	<u>\$114,892</u>	<u>\$136,876</u>	<u>\$494,237</u>

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

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

	Proprietary Fund Type
	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$3,355,231
Miscellaneous	219,640
<i>Total Operating Cash Receipts</i>	<i>3,574,871</i>
<b>Operating Cash Disbursements</b>	
Personal Services	403,733
Employee Fringe Benefits	259,013
Contractual Services	1,859,073
Supplies and Materials	394,784
Other	72,868
<i>Total Operating Cash Disbursements</i>	<i>2,989,471</i>
<i>Operating Income</i>	<i>585,400</i>
<b>Non-Operating Receipts (Disbursements)</b>	
Capital Outlay	(43,243)
Principal Retirement	(75,000)
Interest and Other Fiscal Charges	(7,750)
Other Financing Sources	17,175
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(108,818)</i>
<i>Income before Transfers</i>	<i>476,582</i>
Transfers Out	(716,114)
<i>Net Change in Fund Cash Balances</i>	<i>(239,532)</i>
<i>Fund Cash Balances, January 1</i>	<i>2,444,789</i>
<i>Fund Cash Balances, December 31</i>	<i>\$2,205,257</i>

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

**Village of Genoa  
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Notes to the Financial Statements  
For the Year Ended December 31, 2016**

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**Note 1 – Reporting Entity**

The Village of Genoa (the Village) Ottawa County, Ohio 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 general governmental services such as police protection, parks and recreation, building inspection, street maintenance and repairs, water, sewer and refuse collection services.

***Joint Ventures and Public Entity Risk Pool***

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

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for the proprietary fund type 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 Fund*** The street fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

***Parks and Recreation Fund*** The parks and recreation fund accounts for and reports receipts of taxes and fees for the purpose of providing recreational activities.

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

***Generation Substation Fund*** This fund uses transfers to pay principal and interest on various debt of the Village.

***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:

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Notes to the Financial Statements  
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(Continued)**

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**Capital Improvements Fund** The capital improvements fund accounts for and reports the receipt of transfers committed by Council for the purpose of improving, constructing, and purchasing those items necessary to enhance the operation of the Village.

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

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

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

**Electric Fund** The electric fund accounts for and reports the receipt of 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 disbursements 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 disbursements (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 canceled, and reappropriated in the subsequent year.

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.

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

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**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.

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:

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(Continued)**

2016 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$932,300	\$1,244,761	\$312,461
Special Revenue	222,950	274,009	51,059
Debt Service	604,500	566,114	(38,386)
Capital Projects	345,400	279,401	(65,999)
Enterprise	3,400,700	3,592,046	191,346
Total	<u>\$5,505,850</u>	<u>\$5,956,331</u>	<u>\$450,481</u>

2016 Budgeted vs. Actual Budgetary Basis Disbursements

Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$1,641,577	\$1,037,568	\$604,009
Special Revenue	293,673	259,344	34,329
Debt Service	501,600	473,782	27,818
Capital Projects	326,985	230,798	96,187
Enterprise	4,229,156	3,831,578	397,578
Total	<u>\$6,992,991</u>	<u>\$5,833,070</u>	<u>\$1,159,921</u>

**Note 4 – 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:

	2016
Demand deposits	<u>\$1,008,740</u>
Certificates of deposit	<u>1,690,754</u>
Total deposits	<u>\$2,699,494</u>

**Deposits**

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

**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.

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(Continued)**

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

***Income Taxes***

The Village levies a 1.5 percent income tax on substantially all income earned in the Village as well as certain income of residents earned outside the Village. Employers within the Village withhold income tax on employee compensation. Corporations and other individual taxpayers remit estimated taxes quarterly and file a declaration annually. In 2017 and 2016, the receipts were posted to the General Fund.

**Note 6 – Risk Management**

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker’s Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members’ deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2016, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP’s primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP’s financial statements (audited by other auditor’s) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016:

	<u><b>2016</b></u>
Assets	\$42,182,281
Liabilities	(13,396,700)
Net Position	<u>\$28,785,581</u>

At December 31, 2016 the liabilities above include approximately \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool’s membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Village’s share of these unpaid claims collectible in future years is approximately \$30,000.



**Village of Genoa  
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Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<b><u>Contributions to PEP</u></b>
\$51,822

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**Note 7 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Some 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 percent of their gross salaries and the Village contributed an amount equaling 14 percent 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 percent of their wages. The Village contributed to OP&F an amount equal to 19.5 percent of full-time police members' wages. The Village has paid all contributions required through December 31, 2016.

**Note 8 – Postemployment Benefits**

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for 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 Genoa  
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Notes to the Financial Statements  
For the Year Ended December 31, 2016  
(Continued)**

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**Note 9 – Debt**

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loans	\$189,004	various
Ohio Public Works Commission Loans	800,758	0.00%
Mortgage revenue bonds	80,000	various
AMP Ohio Line of Credit	2,868,366	various
OMEGA JV2 Loan	7,831	various
OMEGA JV5 Loan	286,156	various
Total	<u>\$4,232,115</u>	

The Ohio Water Development Authority (OWDA) loans relate to the wastewater treatment plant and waterline improvement. The Village will repay these loans through semiannual installments through the year 2021.

The Ohio Public Works Commission (OPWC) loans relate to sewer system and street repairs. The Village will repay these loans through semiannual installments through the year 2044.

The Mortgage Revenue Bonds relate to waterworks improvements. The Village will repay these bonds through semiannual installments through the year 2017.

The American Municipal Power (AMP Ohio) Line of Credit relates to the construction and improvements of substations, electrical upgrades and electric generators which are used in the Village of Genoa's electric system. The interest rates for the line of credit varies. Accordingly, no amortization schedule is available and the line of credit is not included in the schedule below. The Village pays a fixed amount each month and the amount charged to principal varies.

The Omega JV2 and JV5 loans relate to the purchase of Ohio Municipal Electronic Generation Agency Joint Venture 2 (OMEGA JV2) and Joint Venture 5 (OMEGA JV5). OMEGA JV2 and OMEGA JV5 are distributive generation projects. The interest rates for OMEGA JV2 and OMEGA JV5 vary. Accordingly, no amortization schedules are available and the loans are not included in the schedule below.

**Leases**

The Village leases a truck under a non-cancelable lease. The Village disbursed \$32,713 to pay lease costs for the year ended December 31, 2016.

**Amortization**

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

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Year ending December 31:	OPWC Loans	OWDA Loans	Mortgage Revenue Bonds	Volvo Truck Lease
2017	\$45,623	\$40,875	\$84,000	\$32,713
2018	45,623	41,648		32,713
2019	45,623	42,470		32,713
2020	45,623	43,343		24,536
2021	45,623	44,274		
2022-2026	228,118			
2027-2031	178,401			
2032-2036	83,740			
2037-2041	59,432			
2042-2045	22,952			
Total	<u>\$800,758</u>	<u>\$212,610</u>	<u>\$84,000</u>	<u>\$122,675</u>

There is no amortization schedule available for the AMP Ohio, OMEGA JV2 or OMEGA JV5 debt due to the variable interest rates.

**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 was intended to develop 1,638 kilowatts (kW) of a total 771,281 kW, giving the Village a .21% project 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. All project costs incurred prior to the cancellation and related to the cancellation were therefore deemed *impaired* and participants were obligated to pay those incurred costs. In prior years, payment of these costs was not required due to AMP’s pursuit of legal action to collect them from Bechtel. As a result of a March 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability. The Village’s estimated share of the impaired costs at March 31, 2014 was \$283,643. The Village received a credit of \$99,402 related to their participation in the AMP Fremont Energy Center (AFEC) Project, and another credit of \$74,078 related to the AMPGS costs deemed to have future benefit for the project participants, classified as Plant Held for Future Use (PHFU), leaving a estimated net impaired cost balance of \$110,163. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact, either positively or negatively, the Village’s net impaired cost balance. These amounts will be recorded as they become estimable.

In late 2016, AMP reached a Settlement in the Bechtel Corporation 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.

Since March 31, 2014 the Village has made payments of \$22,033 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 \$2,854 and interest expense incurred on AMP’s line-of-credit of \$2,782, resulting in a net impaired cost estimate at December 31, 2016 of \$93,766. The Village does have a potential PHFU Liability of \$76,192 resulting in a net total potential liability of \$169,958, 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

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

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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.

The Village elected to finance this amount on AMP's revolving line of credit.

**Note 10 – Contingent Liabilities**

The Village is not currently defendant in any lawsuits.

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

**Note 11 – Joint Ventures**

**OMEGA JV5**

The Village is a Financing Participant with an ownership percentage of .69 %, 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 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, Genoa 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 non-defaulting JV5 Participant, an accumulated maximum kilowatts equal to 25% of such non-defaulting JV5 Participant's ownership share of the project prior to any such increases.

OMEGA JV5 is managed by AMP, which acts as the joint venture's agent. 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

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

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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 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 net investment and its share of the operating results of OMEGA JV5 ownership share of the project is 0.69 percent. The Village's net investment in OMEGA JV5 was \$20,616 at 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](http://www.ohioauditor.gov).

**OMEGA JV2**

The Village is a Financing Participant and an Owner Participant with percentages of liability and ownership of .19% and .15%, respectively, 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.

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Distributive Generation Bonds (Bonds) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. Under the terms of the Agreement each Financing 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 JV2 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2016, the Village of Genoa has met its debt coverage obligation.

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. OMEGA JV2 owns 138.65 MW of distributed generation, consisting of two 32 MW gas-fired turbines, one 11 MW gas-fired turbine, one 1.6 MW diesel generator and thirty-four 1.825 MW diesel generators. OMEGA JV2 has approved the sale of the 1.6 MW diesel generator. AMP is responsible for the operation of the JV2 Project. The Village of Genoa's net investment and its share of the operating results of OMEGA JV2 ownership share of the project is 0.15 percent. The Village's net investment in OMEGA JV2 was \$19,972

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For the Year Ended December 31, 2016  
(Continued)**

at December 31, 2016. Complete financial statements for OMEGA JV2 can be obtained from AMP at 1111 Schrock Road, Columbus, Ohio 43229, or from the State Auditor's website at [www.ohioauditor.gov](http://www.ohioauditor.gov).

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2016 are:

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

**Note 12 – Interfund Transactions**

The following is a reconciliation of the Village's transfers:

<u>Fund</u>	2016	
	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$150,001	\$282,432
Parks and Recreation	4,000	
Generation Substation	520,000	
Washington St 5th St	43,000	
Equipment debt	3,114	
Capital Improvements	278,431	
Water Fund		139,038
Sewer Fund		1,038
Electric Fund		576,038
<b>Total</b>	<u><b>\$998,546</b></u>	<u><b>\$998,546</b></u>

Transfers made from the Enterprise Fund to the General Fund were approved by a Court Order. Transfers are used to move receipts from the fund that statute or budget requires to collect them to the fund that

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

statute or budget requires to expend them and to use unrestricted receipts collected in the General Fund to finance various programs accounted for in the other funds in accordance with budgetary authorizations.

**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 11. 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:

	2016
Total Fund Cash Balance	\$884,176
Total Long-Term Debt	\$293,987
 <b>Condensed Operating Information:</b>	
Operating Receipts	
Charges for Services	2,189,640
Other Operating Receipts	216,595
Total Operating Receipts	2,406,235
 Operating Expenses	
Personal Services	182,074
Employee Fringe Benefits	113,816
Contractual Services	1,570,801
Supplies and Materials	83,458
Other	1,365
Total Operating Expenses	1,951,514
 Operating Income	 454,721
 Nonoperating Disbursements	
Other Nonoperating Receipts (Disbursements)	(11,416)
Transfers	(671,037)
Change in Fund Cash Balance	(227,732)
Beginning Fund Cash Balance	1,111,908
Ending Fund Cash Balance	\$884,176

	2016
<b>Condensed Cash Flows Information:</b>	
Net Cash Provided by:	
Operating Activities	\$2,406,235
 Noncapital Financing Activities	
Other Noncapital Financing Activities	(2,633,967)
Net Cash Used by Noncapital Financing Activities	(2,633,967)
 Net Decrease	 (227,732)
Beginning Fund Cash Balance	1,111,908
Ending Fund Cash Balance	\$884,176

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

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**Note 13 – Miscellaneous Receipts**

Miscellaneous revenue in the Enterprise Funds primarily consisted of refunds from Omega JV 5.

**Note 14 – Change in Basis of Accounting**

In 2015, the Village reported their financial statements on the cash basis comparable to the requirements of *Governmental Accounting Standards*. For 2016, the Village has elected to follow the financial statement presentation following the regulatory basis of accounting described in Note 2. The fund financial statements now present a column for each fund type, rather than each major fund in a separate column with nonmajor funds aggregated and presented in a single column. The Village also no longer presents entity wide financial statements.





# 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 Genoa  
Ottawa County  
102 East 6<sup>th</sup> Street  
Genoa, Ohio 43430

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 Genoa, 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 January 9, 2019, 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 noted the Village elected to change its financial presentation to an accounting basis permitted by Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) for 2016.

### ***Internal Control Over Financial Reporting***

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

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

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

### ***Compliance and Other Matters***

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

### ***Village's Response to Finding***

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

### ***Purpose of this Report***

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



**Dave Yost**  
Auditor of State

Columbus, Ohio

January 9, 2019

VILLAGE OF GENOA  
OTTAWA COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016

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

FINDING NUMBER 2017-001

**Material Weakness – Financial Reporting**

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. In addition, Governmental Accounting Standards Board (GASB) Statement No. 54 (codified as GASB Cod 1800.165-.179) requires fund balance be divided into one of five classifications based on the extent to which constraints are imposed upon the resources. We identified the following errors required adjustment to the financial statements and/or notes to the financial statements for the year ended December 31, 2017:

- The General Fund balance for subsequent year appropriations in excess of estimated receipts was incorrectly classified as unassigned instead of assigned fund balance in the amount of \$98,522.
- Capital Projects Fund lease payments in the amount of \$21,690 should be classified as capital outlay instead of principal retirement.
- Electric Fund charges for services and transfers out were decreased by \$59,082 and General Fund transfers in were decreased by the same amount. General Fund property and other local taxes were increased by the \$59,082 to properly account for inside user kilowatt taxes.
- Intrafund transfers in the amount of \$65,898 were removed from the Capital Projects Fund in order to eliminate intrafund activity for financial reporting purposes.

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:

- The Capital Improvement Fund balance was improperly classified as assigned instead of committed in the amount of \$89,797.
- Intrafund transfers in the amount of \$519,453 were removed from the General Fund in order to properly eliminate intrafund activity between the General and Income Tax Funds for financial reporting purposes.
- Principal retirement expenditures in the Capital Projects Fund in the amount of \$45,623 were incorrectly classified as capital outlay.
- Intergovernmental revenue in the Motor Vehicle License Fund in the amount of \$60,000 was incorrectly classified as fines, licenses, and permits.
- Enterprise Fund transmission credits and other revenues were incorrectly classified as charges for services instead of miscellaneous revenue in the amount of \$216,595.
- Electric Fund charges for services and transfers out were decreased by \$64,082 and General Fund transfers in were decreased by the same amount. General Fund property and other local taxes were increased by the \$64,082 to properly account for inside user kilowatt taxes.
- Capital Projects Fund transfers in and capital outlay in the amount of \$45,000 were removed in order to eliminate intrafund activity that was improperly reported for financial reporting purposes.
- Budgeted Receipts in the budgetary note to the financial statements did not agree to amounts certified by the County Budget Commission in the Special Revenue Fund by \$60,000.

These errors were the result of inadequate policies and procedures in reviewing the financial statements. As a result, the Village's financial statements and notes to the financial statements did not correctly reflect the financial activity of the Village. The accompanying financial statements and notes to the financial statements have been adjusted to correct these and other errors. Additional errors were noted in smaller relative amounts.

To help ensure the Village's financial statements and notes to the financial statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and the audit committee, to identify and correct errors and omissions. In addition, the Fiscal Officer should also review the Auditor of State's Village Handbook which contains a chart of accounts as well as Audit Bulletin 2011-004 for guidance on GASB Statement No. 54.

**Officials' Response:**

The Financial Officer of the Village of Genoa is aware of the misclassification of funds as indicated in Finding #2017-001 and will make corrections accordingly.



*Where friends become family, moments become memories, and hard work is handed down.*

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

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2015-001	Material weakness for failure to perform bank reconciliations during most of the audit period.	Fully corrected.	
2015-002	This finding was first reported in 2013. Material weakness and noncompliance with Ohio Rev. Code § 5705.14 for unallowable transfers.	Partially corrected. Reissued in the Management Letter.	Illegal transfers were made during the current audit due to the Village not transferring funds to and from allowable funds. The Village will make an effort to transfer to and from allowable funds in the future.
2015-003	This finding was first reported in 2012. Material weakness for lack of monitoring of financial transactions resulting in errors in the financial statements.	Not corrected and reissued as finding 2017-001 in this report.	The client declined to offer an explanation why the finding reoccurred. However, an effort was made to correct prior audit posting errors once aware of the errors.
2015-004	Noncompliance with Joint Venture Agreement Among the Municipalities Listed Regarding Ohio Municipal Electric Aggregation Agency Joint Venture 5 revenue coverage requirements	Fully corrected.	
2015-005	This finding was first reported in 2014. Ohio Rev. Code § 5705.10(I) for deficit fund balances.	Partially corrected. Reissued in the Management Letter.	The client declined to offer an explanation why the finding reoccurred. However, an effort was made to correct the negative fund balances during the audit period.

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OHIO AUDITOR OF STATE  
**KEITH FABER**



**VILLAGE OF GENOA**

**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  
JANUARY 24, 2019**