



OHIO AUDITOR OF STATE
KEITH FABER



**VILLAGE OF OHIO CITY
VAN WERT COUNTY
DECEMBER 31, 2018 AND 2017**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Ohio City, Van Wert County, Ohio (the Village) as of and for the years ended December 31, 2018 and 2017.

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, 2018 and 2017, 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 Ohio City, Van Wert County, Ohio as of December 31, 2018 and 2017, 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 3 to the financial statements, in 2017, the Village restated opening balances to correct a misstatement. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 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.



Keith Faber
Auditor of State

Columbus, Ohio

November 14, 2019

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**VILLAGE OF OHIO CITY
VAN WERT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$60,289	\$29,759		\$90,048
Municipal Income Tax	133,303			133,303
Intergovernmental	26,712	451,957		478,669
Charges for Services	5,675	92,023		97,698
Fines, Licenses and Permits	250			250
Earnings on Investments			\$80	80
Miscellaneous	11,331	3,673		15,004
<i>Total Cash Receipts</i>	<u>237,560</u>	<u>577,412</u>	<u>80</u>	<u>815,052</u>
Cash Disbursements				
Current:				
Security of Persons and Property		79,878		79,878
Public Health Services	2,472			2,472
Leisure Time Activities	3,128	746		3,874
Transportation	623	44,764		45,387
General Government	107,769			107,769
Capital Outlay	2,852	753,695	10,560	767,107
Debt Service:				
Principal Retirement	8,922	19,000		27,922
<i>Total Cash Disbursements</i>	<u>125,766</u>	<u>898,083</u>	<u>10,560</u>	<u>1,034,409</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>111,794</u>	<u>(320,671)</u>	<u>(10,480)</u>	<u>(219,357)</u>
Other Financing Receipts (Disbursements)				
Transfers In		2,544	13,330	15,874
Transfers Out	(97,352)			(97,352)
Sale of Bonds		245,085		245,085
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(97,352)</u>	<u>247,629</u>	<u>13,330</u>	<u>163,607</u>
<i>Net Change in Fund Cash Balances</i>	14,442	(73,042)	2,850	(55,750)
<i>Fund Cash Balances, January 1</i>	<u>190,107</u>	<u>190,354</u>	<u>35,500</u>	<u>415,961</u>
Fund Cash Balances, December 31				
Restricted		117,312	19,097	136,409
Committed			19,253	19,253
Assigned	10,727			10,727
Unassigned	193,822			193,822
<i>Fund Cash Balances, December 31</i>	<u>\$204,549</u>	<u>\$117,312</u>	<u>\$38,350</u>	<u>\$360,211</u>

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

**VILLAGE OF OHIO CITY
VAN WERT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$1,186,790		\$1,186,790
Miscellaneous		\$6,990	6,990
<i>Total Operating Cash Receipts</i>	<u>1,186,790</u>	<u>6,990</u>	<u>1,193,780</u>
Operating Cash Disbursements			
Personal Services	218,801		218,801
Contractual Services	601,258		601,258
Miscellaneous		2,788	2,788
Supplies and Materials	59,751		59,751
<i>Total Operating Cash Disbursements</i>	<u>879,810</u>	<u>2,788</u>	<u>882,598</u>
<i>Operating Income</i>	<u>306,980</u>	<u>4,202</u>	<u>311,182</u>
Non-Operating Receipts (Disbursements)			
Miscellaneous Receipts	2,365		2,365
Principal Retirement	(181,628)		(181,628)
Interest and Fiscal Charges	(92,699)		(92,699)
Other Financing Sources	3,900		3,900
Other Financing Uses	(3,900)		(3,900)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(271,962)</u>		<u>(271,962)</u>
<i>Income before Transfers</i>	35,018	4,202	39,220
Transfers In	81,478		81,478
<i>Net Change in Fund Cash Balances</i>	116,496	4,202	120,698
<i>Fund Cash Balances, January 1</i>	<u>590,771</u>	<u>3,194</u>	<u>593,965</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$707,267</u></u>	<u><u>\$7,396</u></u>	<u><u>\$714,663</u></u>

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

Village of Ohio City, Ohio
Van Wert County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 – Reporting Entity

The Village of Ohio City (the Village), Van Wert County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water, sewer, and electric utilities, fire protection, emergency medical services, and street maintenance. The Village contracts with the Van Wert County Sheriff's department to provide security of persons and property.

Public Entity Risk Pool

The Village participates in a public entity risk pool, the Public Entities Pool of Ohio (The Pool). Note 6 to the financial statements provides additional information for this entity. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

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

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:

Equipment Fund The equipment fund receives an annual transfer from General Fund income tax collections. These monies are used to purchase equipment for Village operations.

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.

Village of Ohio City, Ohio
Van Wert County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

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 the provision of electric services to the residents and commercial users within the Village.

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

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government.

Health Reimbursement Fund The health reimbursement fund is used for reimbursements of health care deductibles for employees.

Basis of Accounting

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

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

Budgetary Process

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

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

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

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

A summary of 2018 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 Ohio City, Ohio
Van Wert County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

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, 2018 follows:

Village of Ohio City, Ohio
Van Wert County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$292,188	\$237,560	(\$54,628)
Special Revenue	907,124	825,041	(82,083)
Capital Projects	15,000	13,410	(1,590)
Enterprise	1,329,075	1,274,533	(54,542)
Total	\$2,543,387	\$2,350,544	(\$192,843)

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$297,334	\$231,312	\$66,022
Special Revenue	951,479	898,083	53,396
Capital Projects	15,000	10,560	4,440
Enterprise	1,235,835	1,158,598	77,237
Total	\$2,499,648	\$2,298,553	\$201,095

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:

	2018
Demand deposits	\$1,074,874

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

Village of Ohio City, Ohio
Van Wert County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Income Taxes

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

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

Note 6 – Risk Management

Risk Pool Membership

The Village is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the Village's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2018</u>
Cash and investments	\$ 35,381,789
Actuarial liabilities	\$ 12,965,015

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The majority of 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, 2018.

Social Security

Several Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Village of Ohio City, Ohio
Van Wert County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

Note 8 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes 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 OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2018.

Note 9 – Debt

Debt outstanding at December 31, 2018 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan #CM29P	\$18,144	0%
Ohio Public Works Commission Loan #CT37C	45,419	2%
Ohio Public Works Commission Loan #CU06D	28,683	0%
Ohio Public Works Commission Loan #CT59J	6,595	0%
Ohio Public Works Commission Loan #CT60M	750,001	0%
Ohio Public Works Commission Loan #CT41S	254,264	0%
Ohio Water Development Authority Loan #3635	98,335	5.65%
Ohio Water Development Authority Loan #4749	74,494	2%
Ohio Water Development Authority Loan #5171	597,160	1.50%
Ohio Water Development Authority Loan #5682	804,011	0%
Department of Commerce Revolving Loan	9,500	0%
Mortgage Revenue Bonds 2011	1,901,500	4.25%
General Obligation Bonds 2018	245,085	3.375%
	<u>\$4,833,191</u>	

The Ohio Public Works Commission (OPWC) loan #CM29P relates to Shane Street sanitary sewer expansion. The OPWC loan #CM29P will be repaid in annual payments totaling \$1,344, with 0% interest, over 20 years.

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

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

Village of Ohio City, Ohio
Van Wert County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

The Ohio Public Works Commission (OPWC) loan #CT59J relates to the planning stage of the replacement of the central water system. The Ohio Water Development Authority (OWDA) loan #4749 relates to the water and sewer replacement project. The OPWC loan #CT59J will be repaid in annual payments totaling \$573, with 0% interest, over 20 years. The OWDA loan #4749 will be repaid in annual payments \$4,837 including interest over the next 30 years.

The Ohio Public Works Commission (OPWC) loan #CT60M and the Ohio Water Development Authority (OWDA) loan #5682 relate to the planning stage of the sewer plant expansion project. The OPWC loan #CT60M will be repaid in annual payments totaling \$33,333, with 0% interest, over 30 years. The OWDA loan #5682 will be repaid in annual principal installments of \$61,847 over 20 years.

The Ohio Public Works Commission (OPWC) loan #CT41S relates to the storm water replacement. The OPWC loan #CT41S will be repaid in semiannual payments totaling \$4,461, with 0% interest, over 30 years.

The Ohio Water Development Authority (OWDA) loan #5171 and the 2011 Mortgage Revenue Bonds relate to the construction phase of the water plant expansion project. The OWDA #5171 will be repaid in annual payments totaling \$33,255 including interest, over 30 years. The 2011 Mortgage Revenue Bond will be repaid in annual installments of approximately \$108,200 including interest, over the next 30 years.

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

The Village issued \$245,085 of General Obligation Bonds in 2018 for the purpose of acquiring a fire truck. The General Obligation Bonds will be paid in semiannual payments over 10 years.

Amortization

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

<u>Year Ending December 31</u>	<u>OPWC Loans</u>	<u>OWDA Loans</u>	<u>Department of Commerce</u>	<u>Mortgage Revenue Bonds</u>	<u>General Obligation Bonds</u>
2019	\$33,126	\$54,413	\$9,500	\$108,214	\$31,233
2020	66,250	108,888		108,249	29,101
2021	66,248	108,974		108,134	29,080
2022	54,777	109,066		108,272	29,080
2023	54,775	109,162		108,150	29,080
2024-2028	220,856	547,469		541,112	145,417
2029-2033	217,800	447,542		541,121	
2034-2038	211,278	185,623		541,099	
2039-2043	144,610	49,883		541,069	
2044-2048	35,688			541,043	
2049-2053				324,659	
Total	<u>\$1,105,408</u>	<u>\$1,721,020</u>	<u>\$9,500</u>	<u>\$3,571,122</u>	<u>\$292,991</u>

Note 10 – Interfund Transfers

During 2018, the following transfers were made:

Village of Ohio City, Ohio
Van Wert County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

<u>Fund</u>	<u>Amount</u>
General Fund Transfer Out to:	
Street Construction Maintenance and Repair Fund	\$2,200
Fire Fund	344
Equipment Fund	13,330
Water Fund	53,085
Sewer Fund	3,086
Electric Fund	25,307
Total General Fund Transfers	<u>\$97,352</u>

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 11 – Miscellaneous Receipts

Miscellaneous receipts in the Agency Fund primarily consisted of reimbursements of health care deductibles for employees.

Note 12 – Long Term Purchase Commitments

American Municipal Power Generating Station Project

The Village is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The Village's share was 724 kilowatts of a total 771,281 kilowatts, giving the Village a 0.09 percent share. The AMPGS Project required participants to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. These costs were therefore deemed *impaired* and participants were obligated to pay costs already incurred. In prior years, the payment of these costs was not considered probable due to AMP's pursuit of legal action to void them. As a result of a March 31, 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability. The Village's estimated share at March 31, 2014 of the impaired costs was \$39,586. In addition, the Village made payments of \$473 leaving a net impaired cost estimate of \$39,113. AMP financed these costs on its revolving line of credit. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact the Village's payments. These amounts will be recorded as they become estimable.

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 AMP General Fund's project share.

Village of Ohio City, Ohio
Van Wert County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Since March 31, 2014, the Village has made payments of \$21,971 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 \$832 and interest expense incurred on AMP's line-of-credit of \$2,022, resulting in a net impaired cost estimate at December 31, 2018 of \$19,996. The Village does have a potential Plant Held for Future Use (PHFU) Liability of \$19,492 resulting in a net total potential liability of \$39,488, assuming the assets making up the PHFU (principally the land comprising the Meigs County site) have no value and also assuming the Village's credit balance would earn zero interest. Stranded costs as well as PHFU costs are subject to change, including future borrowing costs on the AMP line of credit. Activities include items such negative items as property taxes as well as positive items revenue from leases or sale of all or a portion of the Meigs County site property.

The Village intends to recover these costs and repay AMP over the next five years through a power cost adjustment.

Prairie State Energy Campus (68 Members)

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

On June 12, 2012, Unit 1 of the PSEC began commercial operation and on November 2, 2012 Unit 2 of the PSEC began commercial operation.

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

AMP's share of the total Project costs, including AMP's share of PSEC capital improvements through 2016, resulted in the issuance by AMP of approximately \$1.697 billion of debt. These costs include (i) AMP's costs of acquisition of its Ownership Interest and its share of the cost of construction of the PSEC, including an allowance for contingencies, (ii) capitalized interest during and after the scheduled in service dates of the two PSEC Units, (iii) costs of issuance associated with both the interim and long-term financing for the Project and (iv) deposits to the Parity Common Reserve Account for the Bonds issued to permanently finance the Project. As of December 31, 2018 the outstanding obligation on Prairie State Project is \$1,537,430,000.

The Village of Ohio City has executed a take-or-pay power sales contract with AMP for 299 kW or .08% kW of capacity and associated energy from the Prairie State facility. As of December 31, 2018, the Village's Project Share was associated with approximately \$1,229,944 of the outstanding Project debt.

AMP Fremont Energy Center (AFEC)

AFEC is a 707 MW natural gas fired combined cycle generation plant with a Base Capacity of 512 MW, located near the City of Fremont, Ohio. AMP acquired AFEC on July 28, 2011. AMP's acquisition of the plant was financed with draws on an additional line of credit for \$600,000,000 secured solely for the purpose of purchasing the plant.

Village of Ohio City, Ohio
Van Wert County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

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

On January 21, 2012 the AMP Fremont Energy Center ("AFEC") began commercial operation. The total cost of construction of AFEC at the date it was placed in service was \$582,200,642. This amount included a development fee of \$35,535,448 paid by AFEC participants for the account of AMP Generating Station participants who are also AFEC participants. The amount was previously recorded as a noncurrent regulatory asset at December 31, 2011. In June 2012, AMP sold 26.419 MW or a 5.16% undivided ownership interest in AFEC to Michigan Public Power Agency ("MPPA") and entered into a power sales contract with Central Virginia Electric Cooperative ("CVEC") for the output of a 21.248 MW or 4.15% interest in AFEC. AMP has sold the output of the remaining 464.355 MW or 90.69% interest to the AFEC participants, which consist of the 87 members, pursuant to a take-or-pay power sales contract. As of December 31, 2018 the outstanding obligation on the Fremont Energy Center ("AFEC") on AMP's books is \$499,105,000.

The Village of Ohio City has executed a take-or-pay power sales contract with AMP for 115 kW or .02% of capacity and associated energy from the AFEC facility. As of December 31, 2018, the Village's Project Share was associated with approximately \$99,821 of the outstanding Project debt.

Combined Hydroelectric Projects (79 Members)

AMP owns and operates three hydroelectric facilities, the Cannelton, the Smithland and the Willow Island hydroelectric generating facilities (the "Combined Hydroelectric Project"), all on the Ohio River, with an aggregate generating capacity of approximately 208 MW. Each of the Combined Hydroelectric Project facilities entailed the installation of run-of-the-river hydroelectric generating facilities on existing United States Army Corps of Engineers' dams and includes associated transmission facilities. The Combined Hydroelectric Project, including associated transmission facilities, are operated by AMP. AMP holds the licenses from FERC for the Combined Hydroelectric Project.

The Cannelton Hydro facility, 88MW, in operation as of June 7, 2016, is located on the Kentucky shore of the Cannelton Locks and Dam on federal land. AMP has a FERC license for the project that expires May 31, 2041. The hydro project diverts water from the locks and dam through bulb turbines, which have a horizontal shaft and Kaplan-type turbines. The site includes an intake channel, a reinforced concrete powerhouse (to house turbine and 3 generator units), and a tailrace or downstream channel.

The Willow Island Hydro facility, 44MW, in operation as of February 4, 2016, diverts water from the existing Willow Island Locks and Dam through bulb turbines. The FERC license for the Willow Project expires August 31, 2030. Average gross annual output is 279 million kWh. The powerhouse houses two horizontal 29.3 MW bulb type turbines and generating units.

The Smithland Hydro facility, 76MW, in operation as of September 1, 2017, is located 62.5 miles upstream of the confluence of the Ohio and Mississippi Rivers. The Smithland project has a FERC license that expires May 31, 2038. The powerhouse houses three horizontal 29.3 MW bulb type turbines and generating units. Average gross annual output is 379 million kWh.

Village of Ohio City, Ohio
Van Wert County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

To provide financing for the Combined Hydroelectric Project, in 2009 and 2010 AMP issued in seven series \$2,045,425,000 of its Combined Hydroelectric Project Revenue Bonds (the "Combined Hydroelectric Bonds"), consisting of taxable, tax-exempt and tax advantaged obligations (Build America Bonds, Clean Renewable Energy Bonds and New Clean Renewable Energy Bonds). The Combined Hydroelectric Bonds are net revenue obligations of AMP, secured by a master trust indenture and payable from amounts received by AMP under a take-or-pay power sales contract with 79 of its Members.

In addition, AMP issued the Combined Hydro Project Revenue Bonds, Series 2016A (Green Bonds) (the "Series 2016A Bonds") for \$209,530,000 on October 6, 2016. The bonds were used to finance final completion costs and also reimbursement to the AMP credit line, which provided interim financing for costs related to construction, fund a deposit to the Parity Common Reserve Account, deposit to Escrow Account and pay the cost of issuance of the Series 2016A. The purpose of the "Green bonds" label is to allow investors to invest in an environmentally beneficial project.

As of December 31, 2018 the total outstanding Hydro Project debt on AMP's books is approximately \$2,222,975,882.

The Village of Ohio City has executed a take-or-pay power sales contract with AMP for 100 kW or .05% of capacity and associated energy from the Combined hydro facilities. As of December 31, 2018, the Village's Project Share was associated with approximately \$1,111,488 of the outstanding Project debt.

**VILLAGE OF OHIO CITY
VAN WERT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$50,617	\$23,453		\$74,070
Municipal Income Tax	141,934			141,934
Intergovernmental	32,774	64,678	\$870,853	968,305
Charges for Services		93,881		93,881
Fines, Licenses and Permits	702			702
Earnings on Investments			77	77
Miscellaneous	14,733	8,456	9,940	33,129
<i>Total Cash Receipts</i>	<u>240,760</u>	<u>190,468</u>	<u>880,870</u>	<u>1,312,098</u>
Cash Disbursements				
Current:				
Security of Persons and Property		57,828		57,828
Public Health Services	2,356			2,356
Leisure Time Activities	2,746	491		3,237
Community Environment	1,204			1,204
Basic Utility Services	15,132			15,132
Transportation		70,557		70,557
General Government	88,710			88,710
Capital Outlay	9,521	17,301	1,188,021	1,214,843
Debt Service:				
Principal Retirement		19,000		19,000
<i>Total Cash Disbursements</i>	<u>119,669</u>	<u>165,177</u>	<u>1,188,021</u>	<u>1,472,867</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>121,091</u>	<u>25,291</u>	<u>(307,151)</u>	<u>(160,769)</u>
Other Financing Receipts (Disbursements)				
Transfers In		2,000	35,753	37,753
Transfers Out	(116,588)			(116,588)
Other Debt Proceeds			267,647	267,647
Sale of Capital Assets			9,000	9,000
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(116,588)</u>	<u>2,000</u>	<u>312,400</u>	<u>197,812</u>
<i>Net Change in Fund Cash Balances</i>	4,503	27,291	5,249	37,043
<i>Fund Cash Balances, January 1</i>	<u>185,604</u>	<u>163,063</u>	<u>30,251</u>	<u>378,918</u>
Fund Cash Balances, December 31				
Restricted		190,354	19,017	209,371
Committed			16,483	16,483
Assigned	5,146			5,146
Unassigned	184,961			184,961
<i>Fund Cash Balances, December 31</i>	<u>\$190,107</u>	<u>\$190,354</u>	<u>\$35,500</u>	<u>\$415,961</u>

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

**VILLAGE OF OHIO CITY
VAN WERT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Proprietary Fund Type		Fiduciary Fund Type		Totals	
	Enterprise		Agency		(Memorandum Only)	
Operating Cash Receipts						
Charges for Services	\$1,115,321				\$1,115,321	
Miscellaneous	13,390		\$3,397		16,787	
<i>Total Operating Cash Receipts</i>	<u>1,128,711</u>		<u>3,397</u>		<u>1,132,108</u>	
Operating Cash Disbursements						
Personal Services	137,379				137,379	
Employee Fringe Benefits	89,606				89,606	
Contractual Services	586,808				586,808	
Supplies and Materials	68,706				68,706	
Miscellaneous			5,020		5,020	
Other	3,718				3,718	
<i>Total Operating Cash Disbursements</i>	<u>886,217</u>		<u>5,020</u>		<u>891,237</u>	
<i>Operating Income (Loss)</i>	<u>242,494</u>		<u>(1,623)</u>		<u>240,871</u>	
Non-Operating Disbursements						
Capital Outlay	(6,543)				(6,543)	
Principal Retirement	(180,032)				(180,032)	
Interest and Other Fiscal Charges	(94,191)				(94,191)	
<i>Total Non-Operating Disbursements</i>	<u>(280,766)</u>				<u>(280,766)</u>	
<i>Loss before Transfers</i>	(38,272)		(1,623)		(39,895)	
Transfers In	78,835				78,835	
<i>Net Change in Fund Cash Balances</i>	40,563		(1,623)		38,940	
<i>Fund Cash Balances, January 1 (Restated)</i>	<u>550,208</u>		<u>4,817</u>		<u>555,025</u>	
<i>Fund Cash Balances, December 31</i>	<u><u>\$590,771</u></u>		<u><u>\$3,194</u></u>		<u><u>\$593,965</u></u>	

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

Village of Ohio City, Ohio
Van Wert County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 – Reporting Entity

The Village of Ohio City (the Village), Van Wert County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water, sewer, and electric utilities, fire protection, emergency medical services, and street maintenance. The Village contracts with the Van Wert County Sheriff's department to provide security of persons and property.

Public Entity Risk Pool

The Village participates in a public entity risk pool, the Public Entities Pool of Ohio (PEP). Note 8 to the financial statements provides additional information for this entity. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

Street Construction Maintenance and Repair Fund The street construction maintenance and repair 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.

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

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:

Retention Pond Fund The retention pond fund receives Ohio Public Works Commission grant proceeds. The proceeds are restricted for storm water system replacement.

Village of Ohio City, Ohio
Van Wert County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

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 the provision of electric services to the residents and commercial users within the Village.

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

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government.

Health Reimbursement Fund The health reimbursement fund is used for reimbursements of health care deductibles for employees.

Basis of Accounting

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

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

Budgetary Process

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

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

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

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

Village of Ohio City, Ohio
Van Wert County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

A summary of 2017 budgetary activity appears in Note 5.

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.

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.

Village of Ohio City, Ohio
Van Wert County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 3 – Restatement of Fund Balance

The Village utilizes a health reimbursement account for its employees. This account was not included in the Village's financial statements in the prior year. The adjustment had the following effect on the fund balance:

Agency Fund Balance as previously reported December 31, 2016	\$0
Adjustment to fund	<u>4,817</u>
Fund Balance as restated at January 1, 2017	<u>\$4,817</u>

Note 4 – Compliance

Contrary to Ohio Rev. Code § 5705.10(F), the Village recorded the sale of a fire truck in the wrong fund.

Note 5 – 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	\$292,248	\$240,760	(\$51,488)
Special Revenue	309,327	192,468	(116,859)
Capital Projects	1,163,340	1,193,270	29,930
Enterprise	1,262,301	1,207,546	(54,755)
Total	<u>\$3,027,216</u>	<u>\$2,834,044</u>	<u>(\$193,172)</u>

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$300,717	\$236,257	\$64,460
Special Revenue	259,990	165,177	94,813
Capital Projects	1,188,060	1,188,021	39
Enterprise	1,240,856	1,166,983	73,873
Total	<u>\$2,989,623</u>	<u>\$2,756,438</u>	<u>\$233,185</u>

Note 6 – 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:

	2017
Demand deposits	<u>\$1,009,926</u>

Village of Ohio City, Ohio
Van Wert County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Note 7 – 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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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 municipal income tax of one percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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

Note 8 – 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.

Village of Ohio City, Ohio
Van Wert County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

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.

	<u>2017</u>
Assets	\$44,452,326
Liabilities	(13,004,011)
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.

<u>2017 Contributions to PEP</u> \$22,327
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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 9 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The majority of 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.

Village of Ohio City, Ohio
Van Wert County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

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.

Social Security

Several Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Note 10 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plans, which includes 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 OPERS members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017.

Note 11 – Debt

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loan #CM29P	\$19,488	0%
Ohio Public Works Commission Loan #CT37C	54,972	2%
Ohio Public Works Commission Loan #CU06D	40,156	0%
Ohio Public Works Commission Loan #CT59J	7,168	0%
Ohio Public Works Commission Loan #CT60M	783,334	0%
Ohio Public Works Commission Loan #CT41S	263,186	0%
Ohio Water Development Authority Loan #3635	103,086	5.65%
Ohio Water Development Authority Loan #4749	77,792	2%
Ohio Water Development Authority Loan #5171	621,187	1.50%
Ohio Water Development Authority Loan #5682	865,858	0%
Department of Commerce Revolving Loan	28,500	0%
Mortgage Revenue Bonds 2011	1,927,800	4.25%
	\$4,792,527	

The Ohio Public Works Commission (OPWC) loan #CM29P relates to Shane Street sanitary sewer expansion. The OPWC loan #CM29P will be repaid in annual payments totaling \$1,344, with 0% interest, over 20 years.

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

Village of Ohio City, Ohio
Van Wert County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

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

The Ohio Public Works Commission (OPWC) loan #CT59J relates to the planning stage of the replacement of the central water system. The Ohio Water Development Authority (OWDA) loan #4749 relates to the water and sewer replacement project. The OPWC loan #CT59J will be repaid in annual payments totaling \$573, with 0% interest, over 20 years. The OWDA loan #4749 will be repaid in annual payments \$4,837 including interest over the next 30 years.

The Ohio Public Works Commission (OPWC) loan #CT60M and the Ohio Water Development Authority (OWDA) loan #5682 relate to the planning stage of the sewer plant expansion project. The OPWC loan #CT60M will be repaid in annual payments totaling \$33,333, with 0% interest, over 30 years. The OWDA loan #5682 will be repaid in annual principal installments of \$61,847 over 20 years.

The Ohio Public Works Commission (OPWC) loan #CT41S relates to the storm water replacement. The OPWC loan #CT41S will be repaid in semiannual payments totaling \$4,461, with 0% interest, over 30 years.

The Ohio Water Development Authority (OWDA) loan #5171 and the 2011 Mortgage Revenue Bonds relate to the construction phase of the water plant expansion project. The OWDA #5171 will be repaid in annual payments totaling \$33,255 including interest, over 30 years. The 2011 Mortgage Revenue Bond will be repaid in annual installments of approximately \$108,200 including interest, over the next 30 years.

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

Amortization

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

Year Ending December 31	OPWC Loans	OWDA Loans	Department of Commerce	Mortgage Revenue Bonds
2018	\$33,126	\$54,374	\$19,000	\$108,232
2019	66,250	108,806	9,500	108,214
2020	66,250	108,888		108,249
2021	66,248	108,974		108,134
2022	54,777	109,066		108,272
2023-2027	231,460	546,899		541,101
2028-2032	219,716	519,182		541,039
2033-2037	211,278	190,463		541,051
2038-2042	177,940	83,138		541,152
2043-2047	44,609			541,055
2048-5052				432,856
Total	\$1,171,654	\$1,829,790	\$28,500	\$3,679,355

Village of Ohio City, Ohio
Van Wert County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 12 – Interfund Transfers

During 2017, the following transfers were made:

Fund	Amount
General Fund Transfer Out to:	
Street Construction Maintenance and Repair Fund	\$2,000
Retention Pond Fund	21,560
Equipment Fund	14,193
Water Fund	51,300
Sewer Fund	6,000
Electric Fund	21,535
Total General Fund Transfers	\$116,588

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 13 – Miscellaneous Receipts

Miscellaneous receipts in the General Fund primarily consisted of quarterly reimbursements of cable and rebate of insurance premiums. Miscellaneous receipts in the Agency Fund primarily consisted of reimbursements of health care deductibles for employees.

Note 14 – Long Term Purchase Commitments

American Municipal Power Generating Station Project

The Village is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The Village's share was 724 kilowatts of a total 771,281 kilowatts, giving the Village a 0.09 percent share. The AMPGS Project required participants to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. These costs were therefore deemed *impaired* and participants were obligated to pay costs already incurred. In prior years, the payment of these costs was not considered probable due to AMP's pursuit of legal action to void them. As a result of a March 31, 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability. The Village's estimated share at March 31, 2014 of the impaired costs was \$39,586. In addition, the Village made payments of \$473 leaving a net impaired cost estimate of \$39,113. AMP financed these costs on its revolving line of credit. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact the Village's payments. These amounts will be recorded as they become estimable.

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 AMP General Fund's project share.

Village of Ohio City, Ohio
Van Wert County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Since March 31, 2014, the Village has made payments of \$16,971 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 \$825 and interest expense incurred on AMP's line-of-credit of \$1,474 resulting in a net impaired cost estimate at December 31, 2017 of \$24,441. The Village does have a potential Plant Held for Future Use (PHFU) Liability of \$18,938 resulting in a net total potential liability of \$43,379, assuming the assets making up the PHFU (principally the land comprising the Meigs County site) have no value and also assuming the Village's credit balance would earn zero interest. Stranded costs as well as PHFU costs are subject to change, including future borrowing costs on the AMP line of credit. Activities include items such negative items as property taxes as well as positive items revenue from leases or sale of all or a portion of the Meigs County site property.

The Village intends to recover these costs and repay AMP over the next five years through a power cost adjustment.

Prairie State Energy Campus (68 Members)

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

On June 12, 2012, Unit 1 of the PSEC began commercial operation and on November 2, 2012 Unit 2 of the PSEC began commercial operation.

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

AMP's share of the total Project costs, including AMP's share of PSEC capital improvements through 2016, resulted in the issuance by AMP of approximately \$1.697 billion of debt. These costs include (i) AMP's costs of acquisition of its Ownership Interest and its share of the cost of construction of the PSEC, including an allowance for contingencies, (ii) capitalized interest during and after the scheduled in service dates of the two PSEC Units, (iii) costs of issuance associated with both the interim and long-term financing for the Project and (iv) deposits to the Parity Common Reserve Account for the Bonds issued to permanently finance the Project. As of December 31, 2017 the outstanding obligation on Prairie State project is \$1,552,270,000.

The Village of Ohio City has executed a take-or-pay power sales contract with AMP for 299 kW or .08% kW of capacity and associated energy from the Prairie State facility. As of December 31, 2017, the Village's Project Share was associated with approximately \$1,241,816 of the outstanding Project debt.

AMP Fremont Energy Center (AFEC)

AFEC is a 707 MW natural gas fired combined cycle generation plant with a Base Capacity of 512 MW, located near the City of Fremont, Ohio. AMP acquired AFEC on July 28, 2011. AMP's acquisition of the plant was financed with draws on an additional line of credit for \$600,000,000 secured solely for the purpose of purchasing the plant.

Village of Ohio City, Ohio
Van Wert County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

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

On January 21, 2012 the AMP Fremont Energy Center ("AFEC") began commercial operation. The total cost of construction of AFEC at the date it was placed in service was \$582,200,642. This amount included a development fee of \$35,535,448 paid by AFEC participants for the account of AMP Generating Station participants who are also AFEC participants. The amount was previously recorded as a noncurrent regulatory asset at December 31, 2011. In June 2012, AMP sold 26.419 MW or a 5.16% undivided ownership interest in AFEC to Michigan Public Power Agency ("MPPA") and entered into a power sales contract with Central Virginia Electric Cooperative ("CVEC") for the output of a 21.248 MW or 4.15% interest in AFEC. AMP has sold the output of the remaining 464.355 MW or 90.69% interest to the AFEC participants, which consist of the 87 members, pursuant to a take-or-pay power sales contract. As of December 31, 2017 the outstanding obligation on the Fremont Energy Center ("AFEC") on AMP's books is \$508,465,000.

The Village of Ohio City has executed a take-or-pay power sales contract with AMP for 115 kW or .02% of capacity and associated energy from the AFEC facility. As of December 31, 2017, the Village's Project Share was associated with approximately \$101,963 of the outstanding Project debt.

Combined Hydroelectric Projects (79 Members)

AMP owns and operates three hydroelectric facilities, the Cannelton, the Smithland and the Willow Island hydroelectric generating facilities (the "Combined Hydroelectric Project"), all on the Ohio River, with an aggregate generating capacity of approximately 208 MW. Each of the Combined Hydroelectric Project facilities entailed the installation of run-of-the-river hydroelectric generating facilities on existing United States Army Corps of Engineers' dams and includes associated transmission facilities. The Combined Hydroelectric Project, including associated transmission facilities, are operated by AMP. AMP holds the licenses from FERC for the Combined Hydroelectric Project.

The Cannelton Hydro facility, 88MW, in operation as of June 7, 2016, is located on the Kentucky shore of the Cannelton Locks and Dam on federal land. AMP has a FERC license for the project that expires May 31, 2041. The hydro project diverts water from the locks and dam through bulb turbines, which have a horizontal shaft and Kaplan-type turbines. The site includes an intake channel, a reinforced concrete powerhouse (to house turbine and 3 generator units), and a tailrace or downstream channel.

The Willow Island Hydro facility, 44MW, in operation as of February 4, 2016, diverts water from the existing Willow Island Locks and Dam through bulb turbines. The FERC license for the Willow Project expires August 31, 2030. Average gross annual output is 279 million kWh. The powerhouse houses two horizontal 29.3 MW bulb type turbines and generating units.

The Smithland Hydro facility, 76MW, in operation as of September 1, 2017, is located 62.5 miles upstream of the confluence of the Ohio and Mississippi Rivers. The Smithland project has a FERC license that expires May 31, 2038. The powerhouse houses three horizontal 29.3 MW bulb type turbines and generating units. Average gross annual output is 379 million kWh.

Village of Ohio City, Ohio
Van Wert County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

To provide financing for the Combined Hydroelectric Project, in 2009 and 2010 AMP issued in seven series \$2,045,425,000 of its Combined Hydroelectric Project Revenue Bonds (the "Combined Hydroelectric Bonds"), consisting of taxable, tax-exempt and tax advantaged obligations (Build America Bonds, Clean Renewable Energy Bonds and New Clean Renewable Energy Bonds). The Combined Hydroelectric Bonds are net revenue obligations of AMP, secured by a master trust indenture and payable from amounts received by AMP under a take-or-pay power sales contract with 79 of its Members.

In addition, AMP issued the Combined Hydro Project Revenue Bonds, Series 2016A (Green Bonds) (the "Series 2016A Bonds") for \$209,530,000 on October 6, 2016. The bonds were used to finance final completion costs and also reimbursement to the AMP credit line, which provided interim financing for costs related to construction, fund a deposit to the Parity Common Reserve Account, deposit to Escrow Account and pay the cost of issuance of the Series 2016A. The purpose of the "Green bonds" label is to allow investors to invest in an environmentally beneficial project.

As of December 31, 2017 the total outstanding Hydro Project debt on AMP's books is approximately \$2,150,625,294.

The Village of Ohio City has executed a take-or-pay power sales contract with AMP for 100 kW or .05% of capacity and associated energy from the Combined hydro facilities. As of December 31, 2017, the Village's Project Share was associated with approximately \$1,075,313 of the outstanding Project debt.

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

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Ohio City, Van Wert County, Ohio (the Village) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated November 14, 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 restated its 2017 beginning fund balances to correct a misstatement.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2018-001 and 2018-002 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2018-001.

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.



Keith Faber
Auditor of State

Columbus, Ohio

November 14, 2019

**VILLAGE OF OHIO CITY
VAN WERT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2018-001

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.10(F) requires revenue received from the sale of a permanent improvement to be paid into the sinking fund, the bond retirement fund, or a special fund for the construction or acquisition of permanent improvements. **Ohio Rev. Code § 5705.01(E)** defines "permanent improvement" or "improvement" to mean "any property, asset, or improvement with an estimated life or usefulness of five years or more, including land and interests therein, and reconstructions, enlargements, and extensions thereof having an estimated life or usefulness of five years or more."

In 2017, the Village inappropriately recorded \$9,000 from the sale of a fire truck in the Special Revenue Fire Fund as miscellaneous revenue. Given the source of the revenue, this should have been recorded in the Capital Projects Equipment Fund as sale of capital assets. Audit adjustments are reflected in the financial statements and in the accounting records correcting the misstatement.

The lack of controls over the posting of financial transactions decreases the reliability of financial data at year-end and can result in undetected errors and irregularities. The Village should implement controls to help ensure all transactions are reviewed to help ensure posting to the proper funds.

FINDING NUMBER 2018-002

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. The following errors were identified in the accompanying financial statements:

- In 2017, the Village incorrectly classified a grant in the amount of \$12,500 as miscellaneous revenue instead of intergovernmental revenue in the Special Revenue Fire Fund.
- In 2017, Ohio Public Works Commission loan proceeds of \$267,647 were incorrectly classified as intergovernmental revenue instead of other debt proceeds in the Capital Projects Retention Pond Fund.
- In 2018 and 2017, interest payments of \$92,699 and \$94,191, respectively, were incorrectly classified as principal retirement in the Enterprise Water Fund.
- In 2018, the General Fund balance was incorrectly classified as assigned instead of unassigned by \$24,785.
- In 2017, unassigned fund balance was incorrectly presented as unclassified fund balance in the General Fund by \$184,961
- In 2017, restricted fund balance was incorrectly presented as unclassified fund balance in the Special Revenue Fund by \$190,354.
- In 2018, the health reimbursement savings account activity was not included on the financial statements resulting in an understatement of beginning fund balance, receipts, disbursements, and ending fund balance in the Agency Fund by \$3,194, \$6,990, \$2,788, and \$7,396, respectively.

- In 2017, the health reimbursement savings account activity was not included on the financial statements resulting in an understatement of beginning fund balance, receipts, disbursements, and ending fund balance in the Agency Fund by \$4,817, \$3,397, \$5,020, and \$3,194, respectively.
- In 2018, the community building bank account activity was not included on the financial statements resulting in an understatement of beginning fund balance, receipts, and ending fund balance in the Capital Projects Community Building Fund by \$10,017, \$80, and \$10,097, respectively.
- In 2017, Budgeted Receipts in the Budgetary Activity note to the financial statements did not agree to amounts certified by the County Budget Commission in the General, Special Revenue, Capital Projects, and Enterprise Funds by \$292,248, \$309,327, \$1,163,340, and \$1,262,301, respectively.
- In 2017, Actual Receipts in the Budgetary Activity note to the financial statements were understated in the General, Special Revenue, Capital Projects, and Enterprise Funds by \$240,760, \$192,468, \$1,193,270, and \$1,207,546, respectively.
- In 2018, Budgeted Receipts in the Budgetary Activity note to the financial statements did not agree to amounts certified by the County Budget Commission in the General Fund by \$32,650.
- In 2018, Appropriation Authority in the Budgetary Activity note to the financial statements did not agree to amounts approved by \$87,364 in the General Fund.

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, notes to the financial statements, and accounting system 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 finance 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:

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

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF OHIO CITY

VAN WERT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 5, 2019