



VILLAGE OF ELMORE
OTTAWA COUNTY

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INDEPENDENT AUDITOR'S REPORT

Village of Elmore
Ottawa County
344 Rice Street
P.O. Box 3
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To the Village of Council:

Report on the Audit of the Financial Statements

Unmodified and Adverse Opinions

We have audited the financial statements of the Village of Elmore, Ottawa County, Ohio (the Village), which comprises the cash balances, receipts and disbursements for each governmental and proprietary fund type as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental and proprietary fund type as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

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* section of our report, the accompanying financial statements 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, 2021 and 2020, or the changes in financial position or, where applicable, cash flows thereof for the years then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Village, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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

Emphasis of Matter

As discussed in Note 13 to the 2021 and 2020 financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2022, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's 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 17, 2022

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Village of Elmore
Ottawa County
Combined Statement of Receipts, Disbursements, and
Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2021

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$181,208	\$173,946		\$355,154
Municipal Income Tax	400,469		\$393,833	794,302
Intergovernmental	54,070	181,746		235,816
Charges for Services	23,543	160		23,703
Fines, Licenses and Permits	15,329			15,329
Earnings on Investments	2,963	184		3,147
Miscellaneous	55,880			55,880
<i>Total Cash Receipts</i>	<u>733,462</u>	<u>356,036</u>	<u>393,833</u>	<u>1,483,331</u>
Cash Disbursements				
Current:				
Security of Persons and Property	422,043			422,043
Public Health Services	3,998			3,998
Leisure Time Activities	13,958			13,958
Community Environment	18,955			18,955
Basic Utility Services		67,025	80,688	147,713
Transportation		208,172		208,172
General Government	193,662	47,754	11,679	253,095
Debt Service:				
Principal Retirement			218,182	218,182
<i>Total Cash Disbursements</i>	<u>652,616</u>	<u>322,951</u>	<u>310,549</u>	<u>1,286,116</u>
<i>Net Change in Fund Cash Balances</i>	80,846	33,085	83,284	197,215
<i>Fund Cash Balances, January 1</i>	<u>547,765</u>	<u>573,941</u>	<u>1,686,223</u>	<u>2,807,929</u>
<i>Fund Cash Balances, December 31</i>	<u>\$628,611</u>	<u>\$607,026</u>	<u>\$1,769,507</u>	<u>\$3,005,144</u>

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

Village of Elmore
Ottawa County
*Combined Statement of Receipts, Disbursements, and
Changes in Fund Balances (Regulatory Cash Basis)*
Proprietary Fund Type
For the Year Ended December 31, 2021

	Enterprise
Operating Cash Receipts	
Charges for Services	\$2,333,005
Miscellaneous	6,859
<i>Total Operating Cash Receipts</i>	2,339,864
Operating Cash Disbursements	
Personal Services	312,785
Employee Fringe Benefits	74,225
Contractual Services	1,553,146
Supplies and Materials	144,362
Other	17,346
<i>Total Operating Cash Disbursements</i>	2,101,864
<i>Operating Income</i>	238,000
Non-Operating Receipts (Disbursements)	
Loans Issued	25,698
Miscellaneous Receipts	7,000
Capital Outlay	(392,012)
Principal Retirement	(11,597)
Interest and Other Fiscal Charges	(52,976)
<i>Total Non-Operating Receipts (Disbursements)</i>	(423,887)
<i>Net Change in Fund Cash Balances</i>	(185,887)
<i>Fund Cash Balances, January 1</i>	2,212,177
<i>Fund Cash Balances, December 31</i>	\$2,026,290

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

Village of Elmore
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 1 - Reporting Entity

The Village of Elmore, Ottawa County, Ohio (the Village) 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, park operations (leisure time activities), police services, general government services, zoning operations (community environment), street and highway maintenance (transportation), and refuse collection (basic utility services). The Village contracts with Harris Township to receive fire protection and emergency medical services.

Public Entity Risk Pool, Joint Ventures and Jointly Governed Organization

The Village participates in a public entity risk pool, several joint ventures and a jointly governed organization. Notes 6, 11 and 12 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 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.

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

Village of Elmore
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2021
(Continued)

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

Other Capital Projects Fund The Other Capital Projects Fund receives a portion of the Village income tax as well as proceeds from the sale of capital assets and is used to account for expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Sewer Treatment Plant Fund The Sewer Treatment Plant Fund receives a portion of the Village income tax and is used to pay for costs associated with upgrading the current Wastewater Treatment Plant, including debt service payments.

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

Electric Operating Fund The Electric Operating Fund accounts for the provision of electric services to the residents and commercial users located within the Village.

Basis of Accounting

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

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

Budgetary Process

The Ohio Revised Code requires each fund be budgeted annually.

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

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

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

Village of Elmore
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2021
(Continued)

A summary of 2021 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.

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

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. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

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*. For regulatory purposes, assigned fund balance in the General Fund is limited to encumbrances outstanding at year end.

Village of Elmore
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2021
(Continued)

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

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

For regulatory purposes, limited disclosure related to fund balance is included in Note 15.

Note 3 - Budgetary Activity

Budgetary activity for the year ended December 31, 2021 follows:

2021 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$709,080	\$733,462	\$24,382
Special Revenue	342,946	356,036	13,090
Capital Projects	322,000	393,833	71,833
Enterprise	2,431,482	2,372,562	(58,920)
Total	\$3,805,508	\$3,855,893	\$50,385

2021 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$767,915	\$657,937	\$109,978
Special Revenue	531,800	323,687	208,113
Capital Projects	778,554	340,763	437,791
Enterprise	3,526,059	2,597,809	928,250
Total	\$5,604,328	\$3,920,196	\$1,684,132

Note 4 - Deposits and Investments

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Village's deposit and investment accounts are as follows:

Village of Elmore
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2021
(Continued)

	2021
<i>Cash Management Pool (the Pool):</i>	
Demand deposits	\$3,382,782
Cash on Hand	660
Total deposits	3,383,442
STAR Ohio	1,647,992
<i>Total carrying amount of deposits and investments held in the Pool</i>	\$5,031,434

The Village does not use a separate payroll clearing account. The expenditures included in the accompanying financial statement reflect net payroll plus all remitted payroll withholdings.

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.

Investments

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

Note 5 - Taxes

Property Taxes

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

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

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

Income Taxes

The Village levies a municipal income tax of 1.75 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village. The Village contracts with Regional Income Tax Authority (RITA) to administer the Village's municipal income taxes.

Village of Elmore
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2021
(Continued)

Employers within the Village withhold income tax on employee compensation and remit the tax to RITA 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 belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the Plan), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments (members). The Plan is legally separate from its member governments.

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

Effective November 1, 2010 (through October 31, 2017), the corridor is for losses paid is between 60% and 70% of casualty premiums earned in the first \$250,000. Effective November 1, 2016, the OPRM elected to participate in a property loss corridor deductible. The property corridor includes losses paid between 70% and 75%. In 2018, the casualty loss corridor was eliminated and the property corridor was adjusted to losses paid between 65% and 70%. Effective November 1, 2019, the property loss corridor was adjusted to losses between 60% and 67.5% and remain unchanged effective November 1, 2021 and November 1, 2020. OPRM had 769 members as of December 31, 2021.

The Plan's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2021.

Assets	\$21,777,439
Liabilities	<u>(15,037,383)</u>
Members' Equity	<u>\$ 6,740,056</u>

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

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, 2021.

Village of Elmore
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2021
(Continued)

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, 2021.

Social Security

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

The employee contributed 6.2 percent of his gross salary. The Village contributed an amount equal to 6.2 percent of the participant’s gross salary. The Village has paid all contributions required through December 31, 2021.

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer 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 0 percent during calendar year 2021. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2021. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

Note 9 - Debt

Debt outstanding at December 31, 2021 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan - 6225	2,365,605	0%
Ohio Water Development Authority Loan - 9071	(2,328)	0%
Ohio Water Development Authority Loan - 9387	28,102	0.25%
Ohio Public Works Commission Loan - CT22M	65,790	0%
Ohio Public Works Commission Loan - CE27L	175,765	0%
Omega JV5	258,477	2-5%
Total	\$2,891,411	

Village of Elmore
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2021
(Continued)

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

OWDA Loan - 9071 relates to an asset management plan that was approved in the amount of \$26,858. The loan will be repaid in semiannual installments over 5 years, at a 0% interest rate. The Village made the initial payment on the loan during 2021 prior to the ODWA making a professional services disbursement to a vendor on behalf of the Village. This resulted in a negative principal balance in the table above. The project was not complete as of December 31, 2021. As a result, the amortization schedule for the repayment of the loan is currently not available and, therefore, is not included in the schedule below.

OWDA Loan - 9387 relates to an elevated tank rehabilitation project that was approved in the amount of \$170,362. The loan will be repaid in semiannual installments over 20 years, at a .25% interest rate. The project was not complete as of December 31, 2021. As a result, the amortization schedule for the repayment of the loan is currently not available and, therefore, is not included in the schedule below.

Ohio Public Works (OPWC) Loan - CE27L relates to the replacement of the river sanitary sewer interceptor and was approved in the amount of \$270,407. The loan will be repaid in semiannual installments of \$4,507 over 30 years, at a 0% interest rate.

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

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

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Village of Elmore
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2021
(Continued)

Amortization

Amortization of the above debt is scheduled as follows:

Year Ending December 31:	OWDA Loan - 6225	OPWC Loan - CT22M	OPWC Loan - CE27L
2022	\$205,705	\$3,463	\$9,014
2023	205,705	3,463	9,014
2024	205,705	3,463	9,014
2025	205,705	3,463	9,014
2026	205,705	3,463	9,014
2027-2031	1,028,523	17,313	45,068
2032-2036	308,557	17,313	45,067
2037-2041		13,849	40,560
Total	<u>\$2,365,605</u>	<u>\$65,790</u>	<u>\$175,765</u>

AMP Generating Station (AMPGS) Project

The Village is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The Village's share was 1,000 kilowatts of a total 771,281 kilowatts, giving the Village a 0.13 percent share. The AMPGS Project required participants to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. These costs were therefore deemed *impaired* and participants were obligated to pay costs already incurred. In prior years, the payment of these costs was not considered probable due to AMP's pursuit of legal action to void them. As a result of a March 31, 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability. The Village's estimated share at March 31, 2014 of the impaired costs is \$173,962. The Village received a credit of \$28,477 related to their participation in the AMP Fremont Energy Center (AFEC) Project, and another credit of \$45,255 related to the AMPGS costs deemed to have future benefit for the project participants, leaving a net impaired cost estimate of \$100,260. AMP financed these costs on its revolving line of credit. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact the Village's payments. These amounts will be recorded as they become estimable.

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Village of Elmore
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2021
(Continued)

Since March 31, 2014 the Village has made payments of \$104,128 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 \$2,134 and interest expense incurred on AMP's line-of-credit of \$695, resulting in a net credit balance for impaired cost estimate at December 31, 2021 of \$1,039. The Village has opted to leave the credit balance with AMP to offset any additional AMPGS Project costs in the future. The Village does have a potential PHFU Liability of \$51,367 resulting in a net total potential liability of \$50,328, 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. AMP still intends to develop this site for the construction of a generating asset; however, at December 31, 2021, the type of future generating asset had not been determined. In August 2016, AMP and Bechtel engaged in court-ordered mediation to resolve disputes raised in litigation relating to the cancellation of the project. Following mediation, AMP and Bechtel reached a settlement which resolved all claims. The terms of such settlement are confidential.

Note 10 - Contingent Liabilities

The Village is defendant in a lawsuit. Although management cannot presently determine the outcome of this suit, management believes that the resolution of this matter will not materially adversely affect the Village's financial condition.

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

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

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

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

Village of Elmore
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2021
(Continued)

OMEGA JV2 is a cooperative project composed of 36 AMP member communities. The joint venture owns three gas turbine peaking generation units and 35 diesel units. The project has a subscribed capacity of 134,096 megawatts. Thirty-four of the diesel units were upgraded in 2015 with Diesel Oxidation Catalysts to meet the new RICE NESHAP rules. AMP manages the project on behalf of participants and can operate the diesel units remotely from its Energy Control Center to provide participating communities with reduced capacity costs, energy and transmission charges, and distributed generation during times of high market energy prices.

Also pursuant to this Agreement, each participant has an obligation to pay its share of debt service on 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 JV2, 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 JV2 debt service and any other outstanding senior lien electric system revenue obligations. As of December 2021, the Village has met its debt coverage obligation.

The Agreement provides that the failure of any JV2 participant to makes any payment due by the due date thereof constitutes a default. In the event of a default, OMEGA JV2 may take certain actions including the termination of a defaulting JV2 Participant's entitlement to Project Power. Each Participant may purchase a pro rata share of the defaulting JV2 Participant's entitlement of Project Power, which together with the share of the other non-defaulting JV2 Participants, is equal to the defaulting JV2 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 JV2 Participant, an accumulated maximum kilowatts equal to 25% of such non-defaulting JV2 Participant's ownership share of the project prior to any such increases.

The debt was extinguished in January of 2018. The Village's net investment in OMEGA JV2 was \$1,417 at December 31, 2021. Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor's website at www.ohioauditor.gov.

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2021 are:

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Village of Elmore
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2021
(Continued)

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

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

The Village is a Financing Participant with an ownership percentage of 0.58%, and shares participation with forty-one other subdivisions within the State of Ohio in the OMEGA JV5. Financing Participants own undivided interests, as tenants in common, without right of participation in the OMEGA JV5 Project.

Pursuant to the OMEGA JV5 Agreement (Agreement), the participants jointly undertook as Financing Participants, the acquisition, construction, and equipment 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.

Village of Elmore
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2021
(Continued)

Also pursuant to this Agreement, each participant has an obligation to pay its share of debt service on 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 2021, the Village has met its debt coverage obligation.

The Agreement provides that the failure of any JV5 participant to make any payment due by the due date thereof constitutes a default. In the event of a default, OMEGA JV5 may take certain actions including the termination of a defaulting JV5 Participant's entitlement to Project Power. Each Participant may purchase a pro rata share of the defaulting JV5 Participant's entitlement of 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.

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. As of December 31, 2021, the outstanding debt was \$44,491,957.

The Village's net investment and its share of the operating results of OMEGA JV5 are reported in the Village's electric fund (an enterprise fund). The Village's net investment in OMEGA JV5 was \$17,358 at December 31, 2021. 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.

Village of Elmore
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2021
(Continued)

C. Ohio Municipal Electric Generation Agency Joint Venture 6 (OMEGA JV6)

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

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

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

Also pursuant to this Agreement, each participant has an obligation to pay its share of debt service on Adjustable Rate Revenue Bonds (Bonds) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV6, any excess funds shall be refunded to the Non-Financing Participants in proportion to each Participant's Project Share and to Financing Participant's respective obligations first by credit against the Financing Participant's respective obligations. Any other excess fund shall be paid to the Participants in proportion to their respective Project Shares. 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 JV6 debt service and any other outstanding senior lien electric system revenue obligations. As of December 2021, Village of Elmore has met its debt coverage obligation.

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

OMEGA JV6 is managed by AMP, which acts as the joint venture's agent. On July 30, 2004 AMP issued \$9,861,000 adjustable rate bonds that mature on August 15, 2019. The interest rate on the bonds will be set every six months until maturity. No fixed amortization schedule exists. The net proceeds of the bond issues were used to construct the OMEGA JV6 Project. On August 15, 2015 the remaining balance was paid on the OMEGA JV6 Bonds.

The Village's net investment in OMEGA JV6 was \$55,037 at December 31, 2021. Complete financial statements for OMEGA JV6 can be obtained from AMP at 1111 Schrock Road, Columbus, Ohio 43229, or from the State Auditor's website at www.ohioauditor.gov.

The ten participating subdivisions and their respective ownership shares at December 31, 2019 are:

Village of Elmore
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2021
(Continued)

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

D. Combined Hydroelectric Projects

AMP owns and operates three hydroelectric projects, the Cannelton, the Smithland and the Willow Island hydroelectric generating facilities (the “Combined Hydroelectric Projects”), all on the Ohio River, with an aggregate generating capacity of approximately 208 MW. Each of the Combined Hydroelectric Projects is in commercial operation and consists of run-of-the-river hydroelectric generating facilities on existing Army Corps dams and includes associated transmission facilities. AMP holds the licenses from FERC for the Combined Hydroelectric Projects.

To provide financing for, or refinance certain obligations incurred in respect of, the Combined Hydroelectric Projects, AMP has issued ten series of its Combined Hydroelectric Projects Revenue Bonds (the "Combined Hydroelectric Bonds"), in an original aggregate principal amount of \$2,142,071,461 and consisting of taxable, tax-exempt and tax advantaged obligations (Build America Bonds, Clean Renewable Energy Bonds and New Clean Renewable Energy Bonds). The Combined Hydroelectric Bonds are secured by a master trust indenture and payable from amounts received by AMP under a take- or-pay power sales contract with 79 of its Members. As of December 31, 2020, \$2,140,742,059 aggregate principal amount of the Combined Hydroelectric Bonds and approximately \$23.01 million aggregate principal amount of subordinate obligations, consisting of notes evidencing draws on the Line of Credit, were outstanding under the indenture securing the Combined Hydroelectric Bonds.

On August 14, 2017, AMP filed a lawsuit in the U.S. District Court for the Southern District of Ohio against Voith Hydro, Inc. ("Voith"), which was the supplier of major powerhouse equipment, including the turbines and generators for the Combined Hydroelectric Projects and the Meldahl Project. In the lawsuit, AMP alleges, among other things that Voith failed to deliver equipment on a timely basis and that certain of the equipment delivered was materially defective, causing significant delays. AMP has alleged proven damages of at least \$40 million. On October 16, 2017, Voith filed its answer, denying each of AMP's claims, and asserting two counterclaims seeking the payment of amounts it claims are due under the contract, amounts currently held by AMP as purported liquidated damages and \$40 million in damages, plus interest and legal fees. On December 1, 2017, AMP filed its answer to the Voith counterclaims, denying all liability to Voith.

Village of Elmore
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2021
(Continued)

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

E. AMP Fremont Energy Center (AFEC)

On July 28, 2011, AMP acquired from FirstEnergy Generation Corporation (“FirstEnergy”) the Fremont Energy Center (“AFEC”), then nearing completion of construction and located in Fremont, Sandusky County, Ohio. Following completion of the commissioning and testing, AMP declared AFEC to be in commercial operation as of January 20, 2012. The AMP Fremont Energy Center is a natural gas fired, combined cycle, electric power generation plant with a capacity of 512 MW (unfired)/675 MW (fired), consisting of two combustion turbines, two heat recovery steam generators and one steam turbine and condenser. AMP subsequently sold a 5.16% undivided ownership interest in AFEC to Michigan Public Power Agency and entered into a power sales contract with the Central Virginia Electric Cooperative for the output associated with a 4.15% undivided ownership interest in AFEC. The output of AFEC associated with the remaining 90.69% undivided ownership interest (the “90.69% Interest”) is sold to AMP Members pursuant to a take-or-pay power sales contract with 87 of its members (the “AFEC Power Sales Contract”).

In 2012, to provide permanent financing for the 90.69% Interest, AMP issued, in two series, \$546,085,000 of its AMP Fremont Energy Center Project Revenue Bonds (the "2012 AFEC Bonds"), consisting of taxable and tax-exempt obligations. The AFEC Bonds are net revenue obligations of AMP, secured by a master trust indenture and payable from amounts received by AMP under the AFEC Power Sales Contract. In 2017, AMP issued bonds (the "AFEC Refunding Bonds" and, together with the 2012 AFEC Bonds, the "AFEC Bonds") to refund a portion of the 2012 AFEC Bonds. As of December 31, 2020, \$478,965,000 aggregate principal amount of AFEC Bonds was outstanding.

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

F. Prairie State Energy Campus

On December 20, 2007, AMP acquired a 23.26% undivided ownership interest (the “PSEC Ownership Interest”) in the Prairie State Energy Campus (“PSEC”), a two-unit, supercritical coal-fired power plant designed to have a net rated capacity of approximately 1,582 MW and associated facilities in southwest Illinois. The PSEC Ownership Interest is held by AMP 368 LLC, a single-member Delaware limited liability company (“AMP 368 LLC”). AMP is the owner of the sole membership interest in AMP 368 LLC. Construction of the PSEC commenced in October 2007. Unit 1 of the PSEC commenced operations in the second quarter of 2012 and Unit 2 of the PSEC commenced operations in the fourth quarter of 2012.

Village of Elmore
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2021
(Continued)

From July 2008 through September 2010, AMP issued five series of Prairie State Energy Campus Revenue Bonds (collectively, the "*Initial Prairie State Bonds*") to finance PSEC project costs and PSEC related expenses. The Initial Prairie State Bonds consist of tax-exempt, taxable and tax advantaged Build America Bonds issued in the original aggregate principal amount of \$1,696,800,000. In 2015, 2017 and 2019, AMP issued bonds (the "*Prairie State Refunding Bonds*" and, together with the Initial Prairie State Bonds, the "*Prairie State Bonds*") to refund all of the callable tax-exempt Initial Prairie State Bonds issued in 2008 and 2009, certain of callable outstanding Initial Prairie State Bonds issued as Build America Bonds and certain of the bonds issued in 2015 to refund the Initial Prairie State Bonds. As of December 31, 2020, AMP had \$1,470,255,000 aggregate principal amount of Prairie State Bonds outstanding.

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

The Village has executed a take-or-pay power sales contract with AMP as a participant of the PSEC of 498 kW or 0.14% of capacity and associated energy from the PSEC.

Note 12 - Jointly Governed Organization

Regional Income Tax Agency

The Regional Income Tax Agency (RITA) is a regional council of governments formed to establish a central collection facility for the purpose of administering the income tax laws of the members and for the purpose of collecting income taxes on behalf of each member. RITA currently has approximately 350 members in the council of governments. Each member has one representative to the council of governments and is entitled to one vote on items under consideration. RITA is administered by a nine-member board of trustees elected by the members of the council of governments. The board exercises total control over RITA's operation including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the council. For 2021, the Village paid RITA \$23,700 for income tax collection services.

Note 13 - COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. During 2021, the Village received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

Note 14 - Miscellaneous Receipts

General Fund miscellaneous receipts consisted largely of reimbursements for a school resource officer.

Village of Elmore
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2021
(Continued)

Note 15 - Fund Balances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

Fund Balances	General	Special Revenue	Capital Projects	Total
Outstanding Encumbrances	\$5,321	\$736	\$30,214	\$36,271

The fund balance of Special Revenue funds is either restricted or committed. The fund balance of Capital Projects funds are restricted, committed, or assigned. These restricted, committed, and assigned amounts in the Special Revenue and Capital Projects funds would include the outstanding encumbrances. In the General Fund, outstanding encumbrances are considered assigned.

Note 16 - 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 Operating Fund, which is reported as part of the combined Enterprise Fund Type in the financial statements. Summary financial information for the Electric Operating Fund is presented below:

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Village of Elmore
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2021
(Continued)

	2021
Total Fund Cash Balance	\$1,003,133
Total Long-Term Debt	258,477
 Condensed Operating Information:	
Operating Receipts	
Charges for Services	1,773,440
Other Operating Receipts	6,859
Total Operating Receipts	1,780,299
Operating Expenses	
Personal Services	141,858
Employee Fringe Benefits	41,579
Contractual Services	1,389,653
Supplies and Materials	52,057
Total Operating Expenses	1,625,147
Operating Income	155,152
Nonoperating Disbursements	
Principal Payments	(52,098)
Interest Payments	(414)
Other Nonoperating Disbursements	(307,868)
Change in Fund Cash Balance	(205,228)
Beginning Fund Cash Balance	1,208,361
Ending Fund Cash Balance	\$1,003,133
 Condensed Cash Flows Information:	
	2021
Net Cash Provided by:	
Operating Activities	\$155,152
Capital and Related Financing Activities	
Principal Payments on Capital and Related Debt	(52,098)
Interest Payments on Capital and Related Debt	(414)
Other Capital and Related Financing Activities	(307,868)
Net Cash Used by Capital and Related Financing Activities	(360,380)
Net Decrease	(205,228)
Beginning Fund Cash Balance	1,208,361
Ending Fund Cash Balance	\$1,003,133

Village of Elmore
Ottawa County
Combined Statement of Receipts, Disbursements, and
Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2020

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$170,671	\$165,447		\$336,118
Municipal Income Tax	410,002		\$344,683	754,685
Intergovernmental	50,401	205,783		256,184
Charges for Services	19,096			19,096
Fines, Licenses and Permits	15,686	25		15,711
Earnings on Investments	12,255	244		12,499
Miscellaneous	96,111	7,342		103,453
<i>Total Cash Receipts</i>	<u>774,222</u>	<u>378,841</u>	<u>344,683</u>	<u>1,497,746</u>
Cash Disbursements				
Current:				
Security of Persons and Property	428,377	500		428,877
Public Health Services	3,989			3,989
Leisure Time Activities	8,930			8,930
Community Environment	18,772			18,772
Basic Utility Services		63,966	115,880	179,846
Transportation		173,011		173,011
General Government	183,931	99,375	9,729	293,035
Debt Service:				
Principal Retirement			218,181	218,181
<i>Total Cash Disbursements</i>	<u>643,999</u>	<u>336,852</u>	<u>343,790</u>	<u>1,324,641</u>
<i>Net Change in Fund Cash Balances</i>	130,223	41,989	893	173,105
<i>Fund Cash Balances, January 1</i>	<u>417,542</u>	<u>531,952</u>	<u>1,685,330</u>	<u>2,634,824</u>
<i>Fund Cash Balances, December 31</i>	<u>\$547,765</u>	<u>\$573,941</u>	<u>\$1,686,223</u>	<u>\$2,807,929</u>

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

Village of Elmore
Ottawa County
*Combined Statement of Receipts, Disbursements, and
Changes in Fund Balances (Regulatory Cash Basis)*
Proprietary Fund Type
For the Year Ended December 31, 2020

	Enterprise
Operating Cash Receipts	
Charges for Services	\$2,258,493
Miscellaneous	33,697
	2,292,190
<i>Total Operating Cash Receipts</i>	<i>2,292,190</i>
Operating Cash Disbursements	
Personal Services	299,622
Employee Fringe Benefits	76,051
Contractual Services	1,478,609
Supplies and Materials	128,332
Other	2,234
	1,984,848
<i>Total Operating Cash Disbursements</i>	<i>1,984,848</i>
<i>Operating Income</i>	<i>307,342</i>
Non-Operating Disbursements	
Capital Outlay	(270,287)
Principal Retirement	(22,501)
Interest and Other Fiscal Charges	(53,875)
	(346,663)
<i>Total Non-Operating Disbursements</i>	<i>(346,663)</i>
<i>Net Change in Fund Cash Balances</i>	<i>(39,321)</i>
<i>Fund Cash Balances, January 1</i>	<i>2,251,498</i>
<i>Fund Cash Balances, December 31</i>	<i>\$2,212,177</i>

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

Village of Elmore
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 1 - Reporting Entity

The Village of Elmore, Ottawa County, Ohio (the Village) 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, park operations (leisure time activities), police services, general government services, zoning operations (community environment), street and highway maintenance (transportation), and refuse collection (basic utility services). The Village contracts with Harris Township to receive fire protection and emergency medical services.

Public Entity Risk Pool, Joint Ventures and Jointly Governed Organization

The Village participates in a public entity risk pool, several joint ventures and a jointly governed organizations. Notes 6, 11 and 12 to the financial statements provides additional information for these entities.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Coronavirus Relief Fund The Coronavirus Relief Fund received monies from the Coronavirus Aid, Relief, and Economic Security (CARES) Act to be used for eligible expenses.

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

Other Capital Projects Fund The Other Capital Projects Fund receives a portion of the Village income tax as well as proceeds from the sale of capital assets and is used to account for expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Sewer Treatment Plant Fund The Sewer Treatment Plant Fund receives a portion of the Village income tax and is used to pay for costs associated with upgrading the current Wastewater Treatment Plant, including debt service payments.

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

Electric Operating Fund The Electric Operating Fund accounts for the provision of electric services to the residents and commercial users located within the Village.

Basis of Accounting

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

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

Budgetary Process

The Ohio Revised Code requires each fund be budgeted annually.

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

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

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

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For the Year Ended December 31, 2020
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A summary of 2020 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.

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

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*.

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.

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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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 15.

Note 3 - Budgetary Activity

Budgetary activity for the year ended December 31, 2020 follows:

2020 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$709,080	\$774,222	\$65,142
Special Revenue	369,205	378,841	9,636
Capital Projects	322,000	344,683	22,683
Enterprise	2,261,120	2,292,190	31,070
Total	\$3,661,405	\$3,789,936	\$128,531

2020 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$756,167	\$643,999	\$112,168
Special Revenue	547,008	336,852	210,156
Capital Projects	969,554	354,154	615,400
Enterprise	3,050,700	2,623,713	426,987
Total	\$5,323,429	\$3,958,718	\$1,364,711

Note 4 - Deposits and Investments

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Village's deposit and investments accounts are as follows:

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(Continued)

	2020
<i>Cash Management Pool (the Pool)</i>	
Demand deposits	\$3,372,766
STAR Plus	1,063,547
Cash on Hand	660
Total deposits	4,436,973
STAR Ohio	583,133
<i>Total carrying value of deposits and investments held in the Pool</i>	\$5,020,106

The Village does not use a separate payroll clearing account. The expenditures included in the accompanying financial statement reflect net payroll plus all remitted payroll withholdings.

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.

Investments

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

Note 5 - Taxes

Property Taxes

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

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

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

Income Taxes

The Village levies a municipal income tax of 1.75 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village. The Village contracts with Regional Income Tax Authority (RITA) to administer the Village municipal income taxes.

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(Continued)

Employers within the Village withhold income tax on employee compensation and remit the tax to RITA 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 belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the Plan), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments (members). The Plan is legally separate from its member governments.

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

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. The OPRM is also participated in a property primary excess of loss treaty. This treaty reimbursed the OPRM 30% for losses between \$200,000 and \$1,000,000. The reimbursement is based on the amount of loss between \$200,000 and \$1,000,000. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. Effective November 1, 2019, the OPRM's property retention increased from 30% to 33%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. Effective November 1, 2020, the OPRM's property retention increased from 33% to 55%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. OPRM had 771 members as of December 31, 2020.

The Plan's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2020.

Assets	\$18,826,974
Liabilities	<u>(13,530,267)</u>
Members' Equity	<u>\$ 5,296,707</u>

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

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.

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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, 2020.

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, 2020.

Social Security

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

The employee contributed 6.2 percent of his gross salary. The Village contributed an amount equal to 6.2 percent of the participant's gross salary. The Village has paid all contributions required through December 31, 2020.

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 OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2020. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2020. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

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Note 9 - Debt

Debt outstanding at December 31, 2020 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan - 2999	\$11,597	6%
Ohio Water Development Authority Loan - 6225	2,571,308	0%
Ohio Water Development Authority Loan - 9071	358	0%
Ohio Public Works Commission Loan - CT22M	69,252	0%
Ohio Public Works Commission Loan - CE27L	184,778	0%
Omega JV5	311,548	2-5%
Total	<u>\$3,148,841</u>	

Ohio Water Development Authority (OWDA) loan - 2999 relates to storm sewer separation project which was mandated by the Ohio Environmental Protection Agency (EPA). The OWDA approved \$305,094 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$12,333 including interest over 25 years. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirement.

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

OWDA Loan - 9071 relates to an asset management plan that was approved in the amount of \$26,858. The loan will be repaid in semiannual installments over 5 years, at a 0% interest rate. The project was not complete as of December 31, 2021. As a result, the amortization schedule for the repayment of the loan is currently not available and, therefore, is not included in the schedule below.

Ohio Public Works (OPWC) Loan - CE27L relates to the replacement of the river sanitary sewer interceptor and was approved in the amount of \$270,407. The loan will be repaid in semiannual installments of \$4,507 over 30 years, at a 0% interest rate.

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

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

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Amortization

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

Year Ending December 31:	OWDA Loan - 2999	OWDA Loan - 6225	OPWC Loan - CT22M	OPWC Loan - CE27L
2021	\$12,060	\$205,705	\$3,463	\$9,014
2022		205,705	3,463	9,014
2023		205,705	3,463	9,014
2024		205,705	3,463	9,014
2025		205,705	3,463	9,014
2026-2030		1,028,522	17,313	45,067
2031-2035		514,261	17,312	45,067
2036-2040			17,312	45,067
2041				4,507
Total	\$12,060	\$2,571,308	\$69,252	\$184,778

AMP Generating Station (AMPGS) Project

The Village is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The Village's share was 1,000 kilowatts of a total 771,281 kilowatts, giving the Village a 0.13 percent share. The AMPGS Project required participants to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. These costs were therefore deemed *impaired* and participants were obligated to pay costs already incurred. In prior years, the payment of these costs was not considered probable due to AMP's pursuit of legal action to void them. As a result of a March 31, 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability. The Village's estimated share at March 31, 2014 of the impaired costs is \$173,962. The Village received a credit of \$28,477 related to their participation in the AMP Fremont Energy Center (AFEC) Project, and another credit of \$45,255 related to the AMPGS costs deemed to have future benefit for the project participants, leaving a net impaired cost estimate of \$100,260. AMP financed these costs on its revolving line of credit. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact the Village's payments. These amounts will be recorded as they become estimable.

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Since March 31, 2014 the Village has made payments of \$104,128 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 \$2,114 and interest expense incurred on AMP's line-of-credit of \$707, resulting in a net credit balance for impaired cost estimate at December 31, 2020 of \$1,047. The Village has opted to leave the credit balance with AMP to offset any additional AMPGS Project costs in the future. The Village does have a potential PHFU Liability of \$50,917 resulting in a net total potential liability of \$49,870, 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. AMP still intends to develop this site for the construction of a generating asset; however, at December 31, 2019, the type of future generating asset had not been determined. In August 2016, AMP and Bechtel engaged in court-ordered mediation to resolve disputes raised in litigation relating to the cancellation of the project. Following mediation, AMP and Bechtel reached a settlement which resolved all claims. The terms of such settlement are confidential.

Note 10 - Contingent Liabilities

The Village is defendant in a lawsuit. Although management cannot presently determine the outcome of this suit, management believes that the resolution of this matter will not materially adversely affect the Village's financial condition.

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

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

The Village is a Non-Financing Participant and an Owner Participant with an ownership percentage of .27% and shares participation with thirty-five other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency (OMEGA JV2). Owner Participants own undivided interests, as tenants in common, in the OMEGA JV2 Project in the amount of their respective Project Shares. Purchaser Participants agree to purchase the output associated with their respective Project shares, ownership of which is held in trust for such Purchaser Participants. Pursuant to the OMEGA JV2 Agreement, the participants jointly undertook as either Financing Participants or Non-Financing Participants and as either Owner Participants or Purchaser Participants, the acquisition, construction, and equipping of OMEGA JV2, including such portions of OMEGA JV2 as have been acquired, constructed or equipped by AMP and to pay or incur the costs of the same in accordance with the JV2 Agreement.

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OMEGA JV2 is a cooperative project composed of 36 AMP member communities. The joint venture owns three gas turbine peaking generation units and 35 diesel units. The project has a subscribed capacity of 134,096 megawatts. Thirty-four of the diesel units were upgraded in 2015 with Diesel Oxidation Catalysts to meet the new RICE NESHAP rules. AMP manages the project on behalf of participants and can operate the diesel units remotely from its Energy Control Center to provide participating communities with reduced capacity costs, energy and transmission charges, and distributed generation during times of high market energy prices.

Also pursuant to this Agreement, each participant has an obligation to pay its share of debt service on 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 JV2, 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 JV2 debt service and any other outstanding senior lien electric system revenue obligations. As of December 2020, Village has met its debt coverage obligation.

The Agreement provides that the failure of any JV2 participant to makes any payment due by the due date thereof constitutes a default. In the event of a default, OMEGA JV2 may take certain actions including the termination of a defaulting JV2 Participant's entitlement to Project Power. Each Participant may purchase a pro rata share of the defaulting JV2 Participant's entitlement of Project Power, which together with the share of the other non-defaulting JV2 Participants, is equal to the defaulting JV2 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 JV2 Participant, an accumulated maximum kilowatts equal to 25% of such non-defaulting JV2 Participant's ownership share of the project prior to any such increases.

The debt was extinguished in January of 2018. The Village's net investment in OMEGA JV2 was \$8,644 at December 31, 2020. Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor's website at www.ohioauditor.gov.

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The thirty-six participating subdivisions and their respective ownership shares at December 31, 2019 are:

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

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

The Village is a Financing Participant with an ownership percentage of 0.58%, and shares participation with forty-one other subdivisions within the State of Ohio in the OMEGA JV5. Financing Participants own undivided interests, as tenants in common, without right of participation in the OMEGA JV5 Project.

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

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

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Also pursuant to this Agreement, each participant has an obligation to pay its share of debt service on 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 2020, Village has met its debt coverage obligation.

The Agreement provides that the failure of any JV5 participant to make any payment due by the due date thereof constitutes a default. In the event of a default, OMEGA JV5 may take certain actions including the termination of a defaulting JV5 Participant's entitlement to Project Power. Each Participant may purchase a pro rata share of the defaulting JV5 Participant's entitlement of 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.

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. AS of December 31, 2020, the outstanding debt was \$58,946,680.

The Village's net investment and its share of the operating results of OMEGA JV5 are reported in the Village's electric fund (an enterprise fund). The Village's net investment in OMEGA JV5 was \$17,358 at December 31, 2020. 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.

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For the Year Ended December 31, 2020
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C. Ohio Municipal Electric Generation Agency Joint Venture 6 (OMEGA JV6)

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

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

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

Also pursuant to this Agreement, each participant has an obligation to pay its share of debt service on Adjustable Rate Revenue Bonds (Bonds) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV6, any excess funds shall be refunded to the Non-Financing Participants in proportion to each Participant's Project Share and to Financing Participant's respective obligations first by credit against the Financing Participant's respective obligations. Any other excess fund shall be paid to the Participants in proportion to their respective Project Shares. 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 JV6 debt service and any other outstanding senior lien electric system revenue obligations. As of December 2020, the Village has met its debt coverage obligation.

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

OMEGA JV6 is managed by AMP, which acts as the joint venture's agent. On July 30, 2004 AMP issued \$9,861,000 adjustable rate bonds that mature on August 15, 2019. The interest rate on the bonds will be set every six months until maturity. No fixed amortization schedule exists. The net proceeds of the bond issues were used to construct the OMEGA JV6 Project. On August 15, 2015 the remaining balance was paid on the OMEGA JV6 Bonds.

The Village's net investment in OMEGA JV6 was \$63,369 at December 31, 2020. Complete financial statements for OMEGA JV6 can be obtained from AMP at 1111 Schrock Road, Columbus, Ohio 43229, or from the State Auditor's website at www.ohioauditor.gov.

Village of Elmore
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2020
(Continued)

The ten participating subdivisions and their respective ownership shares at December 31, 2020 are:

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

D. Combined Hydroelectric Projects

AMP owns and operates three hydroelectric projects, the Cannelton, the Smithland and the Willow Island hydroelectric generating facilities (the “Combined Hydroelectric Projects”), all on the Ohio River, with an aggregate generating capacity of approximately 208 MW. Each of the Combined Hydroelectric Projects is in commercial operation and consists of run-of-the-river hydroelectric generating facilities on existing Army Corps dams and includes associated transmission facilities. AMP holds the licenses from FERC for the Combined Hydroelectric Projects.

To provide financing for, or refinance certain obligations incurred in respect of, the Combined Hydroelectric Projects, AMP has issued ten series of its Combined Hydroelectric Projects Revenue Bonds (the "Combined Hydroelectric Bonds"), in an original aggregate principal amount of \$2,142,071,461 and consisting of taxable, tax-exempt and tax advantaged obligations (Build America Bonds, Clean Renewable Energy Bonds and New Clean Renewable Energy Bonds). The Combined Hydroelectric Bonds are secured by a master trust indenture and payable from amounts received by AMP under a take- or-pay power sales contract with 79 of its Members. As of December 31, 2020, \$2,140,742,059 aggregate principal amount of the Combined Hydroelectric Bonds and approximately \$23.01 million aggregate principal amount of subordinate obligations, consisting of notes evidencing draws on the Line of Credit, were outstanding under the indenture securing the Combined Hydroelectric Bonds.

On August 14, 2017, AMP filed a lawsuit in the U.S. District Court for the Southern District of Ohio against Voith Hydro, Inc. ("Voith"), which was the supplier of major powerhouse equipment, including the turbines and generators for the Combined Hydroelectric Projects and the Meldahl Project. In the lawsuit, AMP alleges, among other things that Voith failed to deliver equipment on a timely basis and that certain of the equipment delivered was materially defective, causing significant delays. AMP has alleged proven damages of at least \$40 million. On October 16, 2017, Voith filed its answer, denying each of AMP's claims, and asserting two counterclaims seeking the payment of amounts it claims are due under the contract, amounts currently held by AMP as purported liquidated damages and \$40 million in damages, plus interest and legal fees. On December 1, 2017, AMP filed its answer to the Voith counterclaims, denying all liability to Voith.

Village of Elmore
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2020
(Continued)

As part of the initial disclosures, AMP listed 70 potential witnesses and \$90 million in gross damages, while Voith listed over 100 potential witnesses and \$65 million in gross damages. A scheduling order has been established which provides for the conclusion of discovery in April 2021, but no trial date has been set.

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

E. AMP Fremont Energy Center (AFEC)

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

AMP subsequently sold a 5.16% undivided ownership interest in AFEC to the Michigan Public Power Agency and entered into a power sales contract with the Central Virginia Electric Cooperative for the output associated with a 4.15% undivided ownership interest in AFEC. The output of AFEC associated with the remaining 90.69% undivided ownership interest (the "90.69% Interest") is sold to AMP Members pursuant to a take-or-pay power sales contract with 86 of its Members (the "AFEC Power Sales Contract").

In 2012, to provide permanent financing for the 90.69% Interest, AMP issued, in two series, \$546,085,000 of its AMP Fremont Energy Center Project Revenue Bonds (the "2012 AFEC Bonds"), consisting of taxable and tax-exempt obligations. The AFEC Bonds are net revenue obligations of AMP, secured by a master trust indenture and payable from amounts received by AMP under the AFEC Power Sales Contract. In 2017, AMP issued bonds (the "AFEC Refunding Bonds" and, together with the 2012 AFEC Bonds, the "AFEC Bonds") to refund a portion of the 2012 AFEC Bonds. As of December 31, 2020, \$478,965,000 aggregate principal amount of AFEC Bonds was outstanding.

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

F. Prairie State Energy Campus

On December 20, 2007, AMP acquired a 23.26% undivided ownership interest (the "PSEC Ownership Interest") in the Prairie State Energy Campus ("PSEC"), a two-unit, supercritical coal-fired power plant designed to have a net rated capacity of approximately 1,582 MW and associated facilities in southwest Illinois. The PSEC Ownership Interest is held by AMP 368 LLC, a single-member Delaware limited liability company ("AMP 368 LLC"). AMP is the owner of the sole membership interest in AMP 368 LLC. Construction of the PSEC commenced in October 2007. Unit 1 of the PSEC commenced operations in the second quarter of 2012 and Unit 2 of the PSEC commenced operations in the fourth quarter of 2012.

Village of Elmore
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2020
(Continued)

From July 2008 through September 2010, AMP issued five series of Prairie State Energy Campus Revenue Bonds (collectively, the "*Initial Prairie State Bonds*") to finance PSEC project costs and PSEC related expenses. The Initial Prairie State Bonds consist of tax-exempt, taxable and tax advantaged Build America Bonds issued in the original aggregate principal amount of \$1,696,800,000. In 2015, 2017 and 2019, AMP issued bonds (the "*Prairie State Refunding Bonds*" and, together with the Initial Prairie State Bonds, the "*Prairie State Bonds*") to refund all of the callable tax-exempt Initial Prairie State Bonds issued in 2008 and 2009, certain of callable outstanding Initial Prairie State Bonds issued as Build America Bonds and certain of the bonds issued in 2015 to refund the Initial Prairie State Bonds. As of December 31, 2020, AMP had \$1,470,255,000 aggregate principal amount of Prairie State Bonds outstanding.

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.

The Village has executed a take-or-pay power sales contract with AMP as a participant of the PSEC of 498 kW or 0.14% of capacity and associated energy from the PSEC.

Note 12 - Jointly Governed Organization

Regional Income Tax Agency

The Regional Income Tax Agency (RITA) is a regional council of governments formed to establish a central collection facility for the purpose of administering the income tax laws of the members and for the purpose of collecting income taxes on behalf of each member. RITA currently has approximately 350 members in the council of governments. Each member has one representative to the council of governments and is entitled to one vote on items under consideration. RITA is administered by a nine-member board of trustees elected by the members of the council of governments. The board exercises total control over RITA's operation including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the council. For 2020, the Village paid RITA \$22,446 for income tax collection services.

Note 13 - COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

Note 14 - Miscellaneous Receipts

General Fund miscellaneous receipts consisted largely of reimbursements for a school resource officer.

Village of Elmore
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2020
(Continued)

Note 15 - Fund Balances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

<u>Fund Balances</u>	<u>Capital Projects</u>
Outstanding Encumbrances	<u>\$10,364</u>

The fund balance of Special Revenue funds is either restricted or committed. The fund balance of Capital Projects funds are restricted, committed, or assigned. These restricted, committed, and assigned amounts in the Capital Projects funds would include the outstanding encumbrances.

Note 16 - Change in Accounting Principle

For 2020, the Village has made changes to its cash-basis reporting model. These changes include removing the fund balance classifications from the combined statement of receipts, disbursements, and changes in fund balances (regulatory cash basis) - all governmental fund types.

Note 17 - 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 Operating Fund, which is reported as part of the combined Enterprise Fund Type in the financial statements. Summary financial information for the Electric Operating Fund is presented below:

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Village of Elmore
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2020
(Continued)

	2020
Total Fund Cash Balance	\$1,208,361
Total Long-Term Debt	311,548
 Condensed Operating Information:	
Operating Receipts	
Charges for Services	1,695,741
Other Operating Receipts	19,615
Total Operating Receipts	1,715,356
Operating Expenses	
Personal Services	128,998
Employee Fringe Benefits	32,284
Contractual Services	1,314,666
Supplies and Materials	31,439
Other	434
Total Operating Expenses	1,507,821
Operating Income	207,535
Nonoperating Disbursements	
Principal Payments	(51,303)
Interest Payments	(1,208)
Other Nonoperating Disbursements	(157,458)
Change in Fund Cash Balance	(2,434)
Beginning Fund Cash Balance	1,210,795
Ending Fund Cash Balance	\$1,208,361
 Condensed Cash Flows Information:	
Net Cash Provided by:	2020
Operating Activities	\$207,535
Capital and Related Financing Activities	
Principal Payments on Capital and Related Debt	(51,303)
Interest Payments on Capital and Related Debt	(1,208)
Other Capital and Related Financing Activities	(157,458)
Net Cash Used by Capital and Related Financing Activities	(209,969)
Net Decrease	(2,434)
Beginning Fund Cash Balance	1,210,795
Ending Fund Cash Balance	\$1,208,361

OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
(800) 282-0370

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

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

To the Village of Council:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the cash balances, receipts, and disbursements for each governmental and proprietary fund type as of and for the years ended December 31, 2021 and 2020 and the related notes to the financial statements of the Village of Elmore, Ottawa County, Ohio (the Village) and have issued our report thereon dated November 17, 2022, wherein we noted the Village followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(C) permit. We also noted the financial impact of COVID-19 and the continuing emergency measures, which may impact subsequent period of the Village.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purposes of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected, on a timely basis. *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 deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings as item 2021-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*

Village's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Village's response to the finding identified in our audit and described in the accompanying schedule of findings. The Village's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

November 17, 2022

VILLAGE OF ELMORE
OTTAWA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2021 AND 2020

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

FINDING NUMBER 2021-001

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.

The following errors requiring adjustment to the financial statements and notes to the financial statements were identified:

- In 2021, Capital Projects Fund Type principal retirement disbursements in the amount of \$205,705 were incorrectly classified as capital outlay disbursements;
- In 2021, Capital Projects Fund Type budgetary expenditures were increased in the amount of \$30,215 in order to bring the amounts reported in the Budgetary Activity note to the financial statements in line with actual amounts;
- In 2021, Enterprise Fund Type appropriation authority was increased in the amount of \$292,202 in order to bring the amount reported in the Budgetary Activity note to the financial statements in line with the authorized budget amount;
- In 2021, the annual report filed in the Hinkle System omitted the Fund Balances note to the financial statements, including the outstanding encumbrances amounts;
- In 2020, Capital Projects Fund Type principal retirement disbursements in the amount of \$205,704 were incorrectly classified as capital outlay disbursements; and
- In 2020, Enterprise Fund Type budgetary expenditures were increased in the amount of \$291,650 in order to bring the amounts reported in the Budgetary Activity note to the financial statements in line with actual amounts.

These errors were not identified and corrected prior to the Village preparing its financial statements and notes to the financial statements due to deficiencies in the Village's internal controls over financial statement monitoring. The failure to adequately monitor financial statements could allow for misstatements to occur and go undetected. The accompanying financial statements and notes to the financial statements have been adjusted to reflect these changes. In addition to the adjustments noted above, we also identified additional immaterial misstatements ranging from \$737 to \$51,303 that we have brought to the Village's attention.

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 to the financial statements by the Village Fiscal Officer and Village Council to help identify and correct errors and omissions. The Fiscal Officer can refer to the Village Officer's Handbook at the following website address for guidance on the recording of transactions:

<https://ohioauditor.gov/publications/docs/VillageOfficersManual.pdf>

Officials' Response:

We will review financial statements and notes to the financial statements to help and identify and correct errors.

THE VILLAGE OF ELMORE

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2021 AND 2020

Finding Number	Finding Summary	Status	Additional Information
2019-001	Material weakness for errors in financial reporting initially reported as Finding 2013-001.	Not corrected and reissued as Finding 2021-001 in this report.	This matter was not corrected due to deficiencies in the Village's internal controls over financial reporting. The Village will review financial statements and notes to the financial statements to help and identify and correct errors.

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF ELMORE

OTTAWA COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 12/1/2022

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov