



Dave Yost • Auditor of State



VILLAGE OF ELMORE  
OTTAWA COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of the Village of Elmore, Ottawa County, (the Village) as of and for the years ended December 31, 2013 and 2012.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

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

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

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

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis permitted is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2013 and 2012, or changes in financial position or cash flows thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Elmore, Ottawa County, Ohio as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2015, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

January 21, 2015

**VILLAGE OF ELMORE  
OTTAWA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$172,725	\$151,571		\$324,296
Municipal Income Tax	291,102		\$345,586	636,688
Intergovernmental	52,864	86,134	234,654	373,652
Charges for Services	8,545	921		9,466
Fines, Licenses and Permits	13,968	50		14,018
Earnings on Investments	2,671	321		2,992
Miscellaneous	15,813	100		15,913
<i>Total Cash Receipts</i>	<u>557,688</u>	<u>239,097</u>	<u>580,240</u>	<u>1,377,025</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	363,164			363,164
Public Health Services	3,758			3,758
Leisure Time Activities	16,549			16,549
Community Environment	8,174			8,174
Basic Utility Services		64,282	18,420	82,702
Transportation		156,691		156,691
General Government	201,088			201,088
Capital Outlay			3,419,428	3,419,428
Debt Service:				
Principal Retirement			119,714	119,714
<i>Total Cash Disbursements</i>	<u>592,733</u>	<u>220,973</u>	<u>3,557,562</u>	<u>4,371,268</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(35,045)</u>	<u>18,124</u>	<u>(2,977,322)</u>	<u>(2,994,243)</u>
<b>Other Financing Receipts (Disbursements)</b>				
Other Debt Proceeds			3,105,009	3,105,009
Transfers Out	(51,187)			(51,187)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(51,187)</u>		<u>3,105,009</u>	<u>3,053,822</u>
<i>Net Change in Fund Cash Balances</i>	<u>(86,232)</u>	<u>18,124</u>	<u>127,687</u>	<u>59,579</u>
<i>Fund Cash Balances, January 1</i>	<u>656,611</u>	<u>627,882</u>	<u>1,082,137</u>	<u>2,366,630</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		430,661	1,209,824	1,640,485
Committed		215,345		215,345
Unassigned	570,379			570,379
<i>Fund Cash Balances, December 31</i>	<u><u>\$570,379</u></u>	<u><u>\$646,006</u></u>	<u><u>\$1,209,824</u></u>	<u><u>\$2,426,209</u></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 (CASH BASIS)  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$2,000,886
Miscellaneous	10,523
	2,011,409
<i>Total Operating Cash Receipts</i>	<i>2,011,409</i>
<b>Operating Cash Disbursements</b>	
Personal Services	263,510
Employee Fringe Benefits	120,510
Contractual Services	1,230,456
Supplies and Materials	83,111
Other	2,200
	1,699,787
<i>Total Operating Cash Disbursements</i>	<i>1,699,787</i>
<i>Operating Income</i>	<i>311,622</i>
<b>Non-Operating Receipts (Disbursements)</b>	
Other Debt Proceeds	403,819
Miscellaneous Receipts	1,033
Capital Outlay	(634,598)
Principal Retirement	(77,627)
Interest and Other Fiscal Charges	(32,323)
	(339,696)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(339,696)</i>
<i>Loss before Transfers</i>	<i>(28,074)</i>
Transfers In	51,187
	23,113
<i>Net Change in Fund Cash Balances</i>	<i>23,113</i>
<i>Fund Cash Balances, January 1</i>	<i>2,304,435</i>
<i>Fund Cash Balances, December 31</i>	<i>\$2,327,548</i>

*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 (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$177,516	\$165,092		\$342,608
Municipal Income Tax	282,404		\$335,384	617,788
Intergovernmental	65,733	136,446	27,508	229,687
Charges for Services	2,650			2,650
Fines, Licenses and Permits	14,401	400		14,801
Earnings on Investments	3,049	265		3,314
Miscellaneous	14,766			14,766
<i>Total Cash Receipts</i>	<u>560,519</u>	<u>302,203</u>	<u>362,892</u>	<u>1,225,614</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	338,638	500		339,138
Public Health Services	3,824			3,824
Leisure Time Activities	20,202			20,202
Community Environment	6,941			6,941
Basic Utility Services	18,107	64,361	11,509	93,977
Transportation	7,875	192,751		200,626
General Government	198,065			198,065
Capital Outlay			510,470	510,470
Debt Service:				
Principal Retirement			12,476	12,476
<i>Total Cash Disbursements</i>	<u>593,652</u>	<u>257,612</u>	<u>534,455</u>	<u>1,385,719</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(33,133)</u>	<u>44,591</u>	<u>(171,563)</u>	<u>(160,105)</u>
<b>Other Financing Receipts (Disbursements)</b>				
Other Debt Proceeds			498,748	498,748
Transfers Out	(35,536)			(35,536)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(35,536)</u>		<u>498,748</u>	<u>463,212</u>
<i>Net Change in Fund Cash Balances</i>	<u>(68,669)</u>	<u>44,591</u>	<u>327,185</u>	<u>303,107</u>
<i>Fund Cash Balances, January 1</i>	<u>725,280</u>	<u>583,291</u>	<u>754,952</u>	<u>2,063,523</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		410,015	1,082,137	1,492,152
Committed		217,867		217,867
Unassigned	656,611			656,611
<i>Fund Cash Balances, December 31</i>	<u>\$656,611</u>	<u>\$627,882</u>	<u>\$1,082,137</u>	<u>\$2,366,630</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 (CASH BASIS)  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$1,936,746
Miscellaneous	160,993
	<u>2,097,739</u>
<i>Total Operating Cash Receipts</i>	<u>2,097,739</u>
<b>Operating Cash Disbursements</b>	
Personal Services	262,753
Employee Fringe Benefits	108,426
Contractual Services	1,060,874
Supplies and Materials	95,917
Other	2,922
	<u>1,530,892</u>
<i>Total Operating Cash Disbursements</i>	<u>1,530,892</u>
<i>Operating Income</i>	<u>566,847</u>
<b>Non-Operating Receipts (Disbursements)</b>	
Property and Other Local Taxes	925
Capital Outlay	(393,468)
Principal Retirement	(66,133)
Interest and Other Fiscal Charges	(44,550)
	<u>(503,226)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(503,226)</u>
<i>Income before Transfers</i>	63,621
Transfers In	35,536
	<u>99,157</u>
<i>Net Change in Fund Cash Balances</i>	<u>99,157</u>
<i>Fund Cash Balances, January 1</i>	<u>2,205,278</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$2,304,435</u></u>

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

**VILLAGE OF ELMORE  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

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

The Village participates in three joint ventures and a public entity risk pool. Notes 8 and 9 to the financial statements provides additional information for these entities. These organizations are:

Public Entity Risk Pool:

The Ohio Plan Risk Management, Inc. provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members.

Jointly Ventures:

The Village is a member of Ohio Municipal Electric Generation Agency JV2, JV5, and JV6 which are joint ventures with several other governments to produce electric power. These joint ventures are managed by American Municipal Power (AMP-Ohio).

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

**B. Accounting Basis**

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

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

**VILLAGE OF ELMORE  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. 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.

Repurchase agreements are valued at cost. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31.

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

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

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

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

**3. Capital Project Funds**

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

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

VILLAGE OF ELMORE  
OTTAWA COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Enterprise Funds

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

Electric Operating Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

E. Budgetary Process

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

1. 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.

2. 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.

3. Encumbrances

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

A summary of 2013 and 2012 budgetary activity appears in Note 3.

F. Fund Balance

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

1. Nonspendable

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

VILLAGE OF ELMORE  
OTTAWA COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

2. **Restricted**

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

3. **Committed**

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

4. **Assigned**

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

5. **Unassigned**

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

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.

**G. Property, Plant, and Equipment**

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

**H. 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.

**VILLAGE OF ELMORE  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS**

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

	2013	2012
Demand deposits	\$460,720	\$433,652
Cash on Hand	660	510
Total deposits	461,380	434,162
STAR Ohio	1,544,924	1,544,322
Repurchase agreement	2,747,453	2,692,581
Total investments	4,292,377	4,236,903
Total deposits and investments	\$4,753,757	\$4,671,065

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

**Investments:** The Village's financial institution transfers securities to the Village's agent to collateralize repurchase agreements. These securities are not in the Village's name. Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$496,362	\$557,688	\$61,326
Special Revenue	250,735	239,097	(11,638)
Capital Projects	4,505,148	3,685,249	(819,899)
Enterprise	3,403,733	2,467,448	(936,285)
Total	\$8,655,978	\$6,949,482	(\$1,706,496)

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$828,537	\$648,990	\$179,547
Special Revenue	319,901	222,434	97,467
Capital Projects	5,183,608	3,559,362	1,624,246
Enterprise	4,002,655	2,485,185	1,517,470
Total	\$10,334,701	\$6,915,971	\$3,418,730

**VILLAGE OF ELMORE  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$509,870	\$560,519	\$50,649
Special Revenue	260,970	302,203	41,233
Capital Projects	4,938,526	861,640	(4,076,886)
Enterprise	2,038,800	2,134,200	95,400
Total	\$7,748,166	\$3,858,562	(\$3,889,604)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$769,959	\$634,266	\$135,693
Special Revenue	316,060	257,813	58,247
Capital Projects	5,263,884	546,540	4,717,344
Enterprise	2,757,786	2,053,215	704,571
Total	\$9,107,689	\$3,491,834	\$5,615,855

**4. PROPERTY TAX**

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

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.

**5. LOCAL INCOME TAX**

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.

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

**VILLAGE OF ELMORE  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**6. DEBT**

Debt outstanding at December 31, 2013 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan - 2999	\$143,534	6%
Ohio Water Development Authority Loan - 6225	3,496,518	0%
Ohio Public Works Commission Loan - CE926	21,454	0%
Ohio Public Works Commission Loan - CT22M	91,759	0%
Ohio Public Works Commission Loan - CE27L	243,366	0%
AMP Ohio Loan	403,819	1%
Omega JV5	485,620	2-5%
Omega JV6	27,606	Varying
Total	\$4,913,676	

The Ohio Water Development Authority (OWDA) Loan - 2999 relates to a storm sewer separation project which was mandated by the Ohio Environmental Protection Agency (EPA). The OWDA approved up to \$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. The scheduled payment amount assumes \$305,094 will be borrowed. The OWDA will adjust scheduled payments to reflect any revisions in amounts the Village actually borrows. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirement.

The Ohio Water Development Authority (OWDA) Loan - 6225 relates to a 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 up to \$4,289,526 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$107,238, over 20 years. Although the project has not been completed, the scheduled payment amount assumes \$4,289,526 will be borrowed. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirement.

The Ohio Public Works (OPWC) Loan – CE926 relates to the same project as the Ohio Water Development Authority Loan – 2999 and was approved in the amount of \$214,530 to the Village for this project. The loan will be repaid in semiannual installments of \$5,363 over 20 years, at a 0% interest rate.

The Ohio Public Works (OPWC) Loan – CE27L relates to the replacement of the River Sanitary Sewer Interceptor and was approved in the amount of \$207,407. The loan will be repaid in semiannual installments of \$4,507 over 30 years, at a 0% interest rate.

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

The Omega JV5 loan relates to the purchase of Ohio Municipal Electronic Generation Agency Joint Venture 5 (OMEGA-JV5). OMEGA JV5 is a distributive generation project.

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**6. DEBT (Continued)**

The Omega JV6 loan relates to the purchase of Ohio Municipal Electronic Generation Agency Joint Venture 6 (OMEGA-JV6). OMEGA JV6 is a wind turbine construction project. The interest rate for OMEGA-JV6 is reset every six months based off of the MMD high grade index rate. Accordingly, no amortization schedule is available.

The AMP Ohio loan relates to the annual refinancing of the AMP Electric System Improvement Bond Anticipation Notes to improve the Village's Electric System. AMP Ohio approved up to \$1,000,000 in a loan to the Village for this project. The project has not been completed. An amortization schedule for the repayment of the loan will not be available until the project is completed and, therefore, is not included in the schedule below.

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

Year ending December 31:	OWDA 2999	OWDA 6225 (A)	OPWC CT22M	OPWC CE27L	OPWC CE926	OMEGA JV5
2014	\$24,666	\$214,477	\$3,463	\$9,014	\$10,727	\$61,164
2015	24,666	214,477	3,462	9,013	10,727	61,178
2016	24,666	214,477	3,463	9,014		61,167
2017	24,666	214,477	3,462	9,013		61,183
2018	24,666	214,476	3,463	9,014		61,177
2019-2023	61,664	1,072,381	17,313	45,068		305,866
2024-2028		1,072,381	17,313	45,068		37,212
2029-2033		965,141	17,313	45,068		
2034-2038			17,313	45,068		
2039-2043			5,194	18,026		
Total	<u>\$184,994</u>	<u>\$4,182,287</u>	<u>\$91,759</u>	<u>\$243,366</u>	<u>\$21,454</u>	<u>\$648,947</u>

(A) = At December 31, 2014, this project was not completed and \$3,496,518 has been drawn. This schedule scheduled payments to reflect amount actually borrowed. assumes the entire loan in the amount of \$4,289,526 will be drawn at completion however OWDA will adjust

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, payment of these costs was not made 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 approved the collection of the impaired costs and provided the participants with an estimate of their liability. The Village's estimated share of the impaired costs is \$173,962. The Village received a credit of \$28,477 related to their participation in the AMP Freemont 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. The

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Village will begin making payments in 2014. AMP financed these costs on its revolving line of credit. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact the Village's payments.

The Village elected to make annual lump sum payments in November 2014 and 2015 in the amount of \$50,000 and \$50,260, respectively.

**7. RETIREMENT SYSTEMS**

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OP&F participants contributed 10% of their wages through June 30, 2013, while participants contributed 10.75% beginning July 1, 2013. For 2013 and 2012, the Village contributed to OP&F an amount of 19.5% of full-time police members' wages. For 2013 and 2012, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2013.

**8. RISK MANAGEMENT**

**Risk Pool Membership**

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (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, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 774 members as of December 31, 2012 and 2013 respectively.

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**8. RISK MANAGEMENT (Continued)**

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2012 and 2013:

	<u>2012</u>	<u>2013</u>
Assets	\$13,100,381	\$13,774,304
Liabilities	<u>(6,687,193)</u>	<u>(7,968,395)</u>
Members' Equity	<u>\$6,413,188</u>	<u>\$5,805,909</u>

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**9. JOINT VENTURES**

**A. OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 2 (OMEGA JV2)**

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

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

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 138.65 MW of distributed generation of which 134.081MW is the participants' entitlement and 4.569MW are held in reserve. On dissolution of OMEGA JV2, the net assets will be shared by the participants on a percentage of ownership basis. OMEGA JV2 is managed by AMP, which acts as the joint venture's agent. During 2001, AMP issued \$50,260,000 of 20 year fixed rate bonds on behalf of the Financing

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Participants of OMEGA JV2. The net proceeds of the bond issue of \$45,904,712 were contributed to OMEGA JV2. On January 3, 2011, AMP redeemed all of the \$31,110,000 OMEGA JV2 Project Distributive Generation Bonds then outstanding by borrowing on AMP's revolving credit facility. As such, the remaining outstanding bond principal of the OMEGA JV2 indebtedness was reduced to zero, with the remaining principal balance now residing on the AMP credit facility. As of December 31, 2013, the outstanding debt was \$15,769,323. The Village's net investment in OMEGA JV2 was \$61,856 at December 31, 2013. Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor's website at [www.ohioauditor.gov](http://www.ohioauditor.gov).

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2013 are:

	<b>kW</b>	<b>Percent Project</b>		<b>kW</b>	<b>Percent Project</b>
<b>Municipality</b>	<b>Entitlement</b>	<b>Ownership and</b>	<b>Municipality</b>	<b>Entitlement</b>	<b>Ownership and</b>
		<b>Entitlement</b>			<b>Entitlement</b>
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 Cent	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%
		<b>Percent Project</b>			<b>Percent Project</b>
	<b>kW</b>	<b>Ownership and</b>		<b>kW</b>	<b>Ownership and</b>
<b>Municipality</b>	<b>Entitlement</b>	<b>Entitlement</b>	<b>Municipality</b>	<b>Entitlement</b>	<b>Entitlement</b>
	127,640	95.20%		6,441	4.80%
			<b>Grand Total</b>	134,081	100.00%

**B. OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 5 (OMEGA JV5)**

The Village of Elmore is a Financing Participant with an ownership percentage of .58 %, and shares participation with forty-one other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5). Financing Participants own undivided interests, as tenants in common, without right of partition in the OMEGA JV5 Project.

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**9. JOINT VENTURES (Continued)**

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

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

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2013 Elmore has met their debt coverage obligation.

The Agreement provides that the failure of any JV5 participant to make any payment due by the due date thereof constitutes a default. In the event of a default, OMEGA JV5 may take certain actions including the termination of a defaulting JV5 Participant's entitlement to Project Power. Each Participant may purchase a pro rata share of the defaulting JV5 Participant's entitlement to Project Power, which together with the share of the other non-defaulting JV5 Participants, is equal to the defaulting JV5 Participant's ownership share of the Project, in kilowatts ("Step Up Power") provided that the sum of any such increases shall not exceed, without consent of the non-defaulting JV5 Participant, an accumulated maximum kilowatts equal to 25% of such non-defaulting JV5 Participant's ownership share of the project prior to any such increases.

OMEGA JV5 is managed by AMP, which acts as the joint venture's agent. During 1993 and 2001 AMP issued \$153,415,000 and \$13,899,981 respectively of 30 year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004 the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of \$116,910,000, which resulted in a savings to the membership of \$34,951,833 from the periods 2005 through 2024.

The Village's net investment to date in OMEGA JV5 was \$56,677 at December 31, 2013. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at [www.ohioauditor.gov](http://www.ohioauditor.gov).

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**9. JOINT VENTURES (Continued)**

**C. OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 6 (OMEGA JV6)**

The Village of Elmore 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 Ohio Municipal Electric Generation Agency Joint Venture 6 (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 Joint Venture JV6 Agreement (Agreement), the participants agree jointly to 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 a nominal capacity of 1.8 MW and sells electricity from its operations to OMEGA JV6 Participants.

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the 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 funds shall be paid to the Participants in proportion to their respective Project Shares. Under the terms of the Agreement each financing participant is to fix, charge and collect rates, fees, charges, including other available funds, 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 31, 2013 Elmore has met their debt coverage obligation.

The Agreement provides that the failure of any JV6 participant to make any payment due by the due date 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 American Municipal Power, Inc., 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.

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**9. JOINT VENTURES (Continued)**

The Village's net investment to date in OMEGA JV6 was \$114,621 at December 31, 2013. Complete financial statements for OMEGA JV6 may be obtained from AMP or from the State Auditor's website at [www.ohioauditor.gov](http://www.ohioauditor.gov).

The ten participating subdivisions and their respective ownership shares at December 31, 2013

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

**10. COMBINED HYDROELECTRIC PROJECTS (79 MEMBERS)**

AMP is currently developing 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 entails the installation of run-of-the-river hydroelectric generating facilities on existing United States Army Corps of Engineers' dams and includes associated transmission facilities. The Combined Hydroelectric Projects, including associated transmission facilities, will be constructed and operated by AMP. AMP holds the licenses from FERC for the Combined Hydroelectric Projects. AMP received the last of the material permits needed to begin construction on the Cannelton hydroelectric facility and Smithland hydroelectric facility, respectively in 2009. Ground breaking ceremonies were held for Cannelton on August 25, 2009 and for Smithland on September 1, 2010. AMP received the last of the material permits for the Willow Island hydroelectric facility in the last quarter of 2010 and ground breaking ceremonies took place on July 21, 2011.

The Village of Elmore has executed a take-or-pay power sales contract with AMP for 300 kW or .14% of capacity and associated energy from the hydro facilities.

All major contracts for the projects which include the turbines, the powerhouse construction, the powerhouse gates, the powerhouse cranes, and the transformers have been awarded for the Cannelton, Smithland, and Willow Island facilities. And property right-of-way acquisitions for the transmission lines have been completed for all three projects.

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**10. COMBINED HYDROELECTRIC PROJECTS (79 MEMBERS) (Continued)**

As of December 1, 2014, AMP is projecting that the Combined Hydroelectric Projects are expected to enter into commercial operation as follows: Cannelton in the second quarter of 2015; Willow Island in the third quarter of 2015; and Smithland in the second quarter of 2016.

To provide financing for the Combined Hydroelectric Projects, in 2009 and 2010 AMP has issued in seven series \$2,045,425,000 of its Combined Hydroelectric Projects Revenue Bonds (the "Combined Hydroelectric Bonds"), consisting of taxable, tax-exempt and tax advantaged obligations (Build America Bonds, Clean Renewable Energy Bonds and New Clean Renewable Energy Bonds) of which the Village of Elmore's share on December 31, 2013 was approximately \$2,854,289. The Combined Hydroelectric Bonds are net revenue obligations of AMP, secured by a master trust indenture and payable from amounts received by AMP under a take-or-pay power sales contract with 79 of its Members.

The Power Sales Contract contains a "Step UP" provision that requires, in the event of default of a Participant (the "Defaulting Participant"), the non-defaulting Participants (the "Non-Defaulting Participants") to purchase a pro rata share, based upon each Non-Defaulting Participants original Project Share, of the Defaulting Participant's entitlement to its Project Share which, together with the shares of the other Non-Defaulting Participant's, is equal to the defaulting Participant's Project Share ("Step Up Power"). Under the terms of the Power Sales Contract, no Non-Defaulting Participant is obligated to accept Step Up Power in excess of 25% of such Non-Defaulting Participant's original project Share.

**11. AMP FREMONT ENERGY CENTER (AFEC)**

On February 3, 2011 American Municipal Power, Inc. (AMP) entered into a non-binding memorandum of understanding (MOU) with FirstEnergy Corp. regarding the Fremont Energy Center ("AFEC"). AFEC is a 707 MW natural gas fired combined cycle generation plant with a Base Capacity of 512 MW, located near the city of Fremont, Ohio. The closing date to purchase was July 28, 2011. AMP's acquisition of the plant was financed with draws on an additional line of credit for \$600,000,000 secured solely for the purpose of purchasing the plant.

To provide permanent financing for the AFEC Project on June 29, 2012 AMP issued in two series \$546,085,000 of its AMP Fremont Center Project Revenue Bonds consisting of taxable and tax-exempt obligations to (i) with other available funds, to repay the \$600,000,000 principal amount of an interim loan that financed the acquisition of the AMP Fremont Energy Center ("AFEC") and development costs and completion of construction and commissioning of AFEC; (ii) to make deposits to the Construction Accounts under the Indenture to finance additional capital expenditures allocable to AMP's 90.69% undivided ownership interest in AFEC; (iii) to fund deposits to certain reserve accounts; and (iv) to pay the costs of issuance of the Series 2012 Bonds.

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

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464.355 MW or 90.69% interest to the AFEC participants, which consist of 87 of its members, pursuant to a take-or-pay power sales contract.

The Power Sales Contract contains a "Step UP" provision that requires, in the event of default by a participant (the "*Defaulting Participant*"), the non-defaulting Participants (the "*Non-Defaulting Participants*") to purchase a pro rata share, based upon each Non-Defaulting Participants original PSCR Share, of the Defaulting Participant's entitlement to its Power Sales Resource Share (the "*PSCR Share*"), which together with the shares of the other Non-Defaulting Participant's PSCR Share ("*Step Up Power*"). Under the terms of the Power Sales Contract, no Non-Defaulting Participant is obligated to accept Step Up Power in excess of 25% of such Non-Defaulting Participant's original PSCR Share.

The Village of Elmore has executed a take-or-pay power sales contract with AMP for 265 kW or .06% of capacity and associated energy from the AFEC facility. As of December 31, 2013, the Village's share of the permanent financing was approximately \$327,651.

**12. PRAIRIE STATE ENERGY CAMPUS (68 MEMBERS)**

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

The Village of Elmore has executed a take-or-pay power sales contract with AMP for 498 kW or .14% kW of capacity and associated energy from the Prairie State facility.

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

AMP's share of the total Project costs, including AMP's share of PSEC capital improvements through 2016, resulted in the issuance by AMP of approximately \$1.697 billion of debt of which on December 31, 2013 the Village of Elmore's share was approximately \$2,361,759. These estimated costs include (i) AMP's costs of acquisition of its Ownership Interest and its share of the cost of construction of the PSEC, including an allowance for contingencies, (ii) capitalized interest during and after the scheduled in service dates of the two PSEC Units, (iii) costs of issuance associated with both the interim and long-term financing for the Project and (iv) deposits to the Parity Common Reserve Account for the Bonds issued to permanently finance the Project.

AMP will sell 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 Power Sales Contract is, in all material respects, comparable to the Power Sales Contract for the Project. 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.

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**12. PRAIRIE STATE ENERGY CAMPUS (68 MEMBERS) (Continued)**

The Power Sales Contract contains a "Step Up" provision that requires, in the event of a default by a Participant (the "Defaulting Participant"), the non-defaulting Participants (the "Non-Defaulting Participants") to purchase a pro rata share, based upon each Non-Defaulting Participants original Power Sales Contract Resource Share (the "PSCR Share"), of the Defaulting Participant's entitlement to its PSCR Share which, together with the shares of the other Non-Defaulting Participants, is equal to the Defaulting Participant's PSCR Share ("Step Up Power"). Under the terms of the Power Sales Contract, no Non-Defaulting Participant is obligated to accept Step Up Power in excess of 25% of such Non-Defaulting Participant's original PSCR Share.

**13. SEGMENT INFORMATION**

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 10. The Village is liable for debt related to the financing of the OMEGA joint ventures. The activity is accounted for in the Village's Electric Fund, which is reported as part of the combined Enterprise Fund Type in the financial statements. Summary financial information for the Electric Fund is presented below:

	<b>2013</b>	<b>2012</b>
Total Assets	\$1,013,184	\$1,058,219
Total Liabilities	\$513,226	\$566,203
<b>Condensed Operating Information:</b>		
Operating Receipts		
Charges for Services	1,539,320	1,482,886
Other Operating Receipts	10,523	160,993
Total Operating Receipts	<u>1,549,843</u>	<u>1,643,879</u>
Operating Expenses	1,356,214	1,198,183
Operating Income (Loss)	193,629	445,696
Nonoperating Receipts (Disbursements)		
Property and Other Local Taxes		925
Principal Payments	(52,278)	(41,657)
Interest Payments	(22,280)	(33,634)
Other Nonoperating Receipts (Disbursements)	(215,293)	(351,237)
Special and Extraordinary Items		
Transfers	51,187	35,536
Change in Fund Cash Balance	(45,035)	55,629
Beginning Fund Cash Balance	1,058,219	1,002,590
Ending Fund Cash Balance	<u>\$1,013,184</u>	<u>\$1,058,219</u>

**VILLAGE OF ELMORE  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**14. INTERFUND TRANSACTIONS**

During 2013 the following transfers were made:

<b>Transfers To</b>	<b>Transfers From General Fund</b>
Electric Operating Fund	\$51,187

During 2012 the following transfers were made:

<b>Transfers To</b>	<b>Transfers From General Fund</b>
Electric Operating Fund	\$35,536

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

**15. CONTINGENT LIABILITIES**

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



# Dave Yost • Auditor of State

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

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Elmore, Ottawa County, Ohio (the Village) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated January 21, 2015 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2013-001 described in the accompanying schedule of findings to be a material weakness.

***Compliance and Other Matters***

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

***Purpose of this Report***

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

January 21, 2015

**VILLAGE OF ELMORE  
OTTAWA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2013-001**

**Material Weakness – Financial Reporting**

We identified errors such as the following requiring adjustment to the financial statements or notes to the financial statements for the year ending December 31, 2012:

- Debt proceeds in the amount of \$207,186 were incorrectly classified as intergovernmental receipts in the WWTP/CSO Improvements Design Capital Project Fund;
- Fund balance for the Other Capital Projects Fund in the amount of \$392,351 was reclassified from Committed to Restricted;
- The Village was the beneficiary of \$223,504 of Ohio Water Development Authority (OWDA) grant monies sent directly to the vendor by OWDA. The Fiscal Officer did not record memorandum receipt and expenditure activity for these on-behalf payments in the Capital Projects fund type;
- Debt proceeds in the amount of \$68,076 were incorrectly classified as municipal income tax receipts in the OWDA Waste Water Treatment Plant Fund; and

We identified errors such as the following requiring adjustment to the financial statements or notes to the financial statements for the year ending December 31, 2013:

- Fund balance for the Sewer Plant Fund in the amount of \$542,975 was reclassified from Committed to Restricted;
- Fund balance for the Other Capital Projects Fund in the amount of \$447,348 was reclassified from Committed to Restricted;
- The Village was the beneficiary of \$3,009,718 of OWDA loan monies sent directly to the vendor by OWDA. The Fiscal Officer did not record memorandum receipt and expenditure activity for these on-behalf payments in the Capital Projects fund type;
- The Village was the beneficiary of \$226,538 of Ohio Public Works Commission (OPWC) grant monies sent directly to the vendor by OPWC. The Fiscal Officer did not record memorandum receipt and expenditure activity for these on-behalf payments in the Capital Projects fund type;
- Debt proceeds in the amount of \$95,291 were incorrectly classified as municipal income tax receipts in the OWDA Waste Water Treatment Plant Fund;
- Principal retirement disbursements in the amount of \$107,238 were incorrectly classified as capital outlay disbursements in the Sewer Plant Fund; and
- Capital outlay disbursements in the amount of \$403,819 were incorrectly classified as interest and fiscal charges in the Enterprise Improvement Fund.

Additionally, immaterial errors not requiring adjustment to the financial statements were noted in the classification of certain receipt transactions and classification of fund balances ranging from \$687 to \$5,247.

**FINDING NUMBER 2013-001  
(Continued)**

Sound financial reporting is the responsibility of the Fiscal Officer and Village Council and is essential to ensure the information provided to the readers of the financial statements and accompanying notes is complete and accurate.

To ensure the Village's financial statements and notes to the statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer, to identify and correct errors and omissions, as well as recording correct budgetary information. Also, the Fiscal Officer can refer to the Ohio Village Officer's Handbook at the following web site address for guidance on the recording of transactions:

<https://ohioauditor.gov/publications/OhioVillageOfficersHandbook2014.pdf>.

**Officials' Response:**

We did not receive a response from Officials to this finding.



# Dave Yost • Auditor of State

**VILLAGE OF ELMORE**

**OTTAWA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 5, 2015**