VILLAGE OF MONTPELIER
WILLIAMS COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2017

Dave Yost • Auditor of State

VILLAGE OF MONTPELIER
WILLIAMS COUNTY
DECEMBER 31, 2017

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INDEPENDENT AUDITOR'S REPORT

Village of Montpelier
Williams County
211 North Jonesville Street, PO Box 148
Montpelier, Ohio 43543-0148

To the Village Council:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of Montpelier, Williams County, Ohio (the Village), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of Montpelier, Williams County, Ohio, as of December 31, 2017, and the respective changes in cash financial position and the respective budgetary comparison for the General and Park and Recreation funds thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

We draw attention to Note 2 of the financial statements, which describes the accounting basis. The financial statements are prepared on the cash basis of accounting, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2018, 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

November 13, 2018

VILLAGE OF MONTPELIER
WILLIAMS COUNTY

Statement of Net Position - Cash Basis
December 31, 2017

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in Pooled Cash and Cash Equivalents	$ 4,246,396	$ 6,746,690	$ 10,993,086
Net Position			
Restricted for:			
Park and Recreation Projects	$ 632,294		$ 632,294
Capital Projects	894,320		894,320
Debt Service		$ 593,238	593,238
Other Purposes	192,248	145,866	338,114
Unrestricted	2,527,534	6,007,586	8,535,120
Total Net Position	$ 4,246,396	$ 6,746,690	$ 10,993,086

See accompanying notes to the financial statements

VILLAGE OF MONTPELIER
WILLIAMS COUNTY

Statement of Activities - Cash Basis
For the Year Ended December 31, 2017

	Cash Disbursements	Program Cash Receipts: Charges for Services and Sales	Program Cash Receipts: Operating Grants and Contributions	Program Cash Receipts: Capital Grants and Contributions
Governmental Activities:				
General government:				
Security of Persons and Property	$ 907,225	$ 164,302	$ 45,028	
Public Health Services	11,447			
Leisure Time Activities	290,129	45,873	3,373	
Basic Utility Services	97,523	113,411		$ 856
Transportation	526,897	6,090	170,716	321
General Government	235,502	59,773		
Capital Outlay	1,314,729			
Debt Service				
Principal	1,376,507			
Interest	16,567			
Total Governmental Activities	4,776,526	389,449	219,117	1,177
Business Type Activities:				
Water	1,040,868	1,124,072		
Light	7,290,757	7,397,053		
Sewer	1,829,962	807,237		
Other Enterprise Funds	247,768	277,652		
Total Business Type Activities	10,409,355	9,606,014		
Total	$ 15,185,881	$ 9,995,463	$ 219,117	$ 1,177

General Cash Receipts and Transfers:
Property taxes levied for:
General Purposes
Police Pension
Local Taxes
Other Taxes
Grants and Entitlements not Restricted to Specific Programs
Proceeds from the Sale of Notes
Investment Receipts
Sale of Fixed Assets
Miscellaneous
Transfers

Total General Cash Receipts and Transfers

Change in Net Cash Assets

Net Position Beginning of Year

Net Position End of Year

See accompanying notes to the financial statements

Net (Disbursements) Receipts and Changes in Net Cash Assets		
Governmental Activities	Business-Type Activities	Total
$ (697,895)		$ (697,895)
(11,447)		(11,447)
(240,883)		(240,883)
16,744		16,744
(349,770)		(349,770)
(175,729)		(175,729)
(1,314,729)		(1,314,729)
(1,376,507)		(1,376,507)
(16,567)		(16,567)
(4,166,783)		(4,166,783)
	$ 83,204	83,204
	106,296	106,296
	(1,022,725)	(1,022,725)
	29,884	29,884
	(803,341)	(803,341)
(4,166,783)	(803,341)	(4,970,124)
121,396		121,396
12,557		12,557
1,969,520		1,969,520
279,509	17,059	296,568
948,244	435,772	1,384,016
1,106,751	392,984	1,499,735
102,757	834	103,591
9,807		9,807
44,491	142,772	187,263
7,936	(7,936)	
4,602,968	981,485	5,584,453
436,185	178,144	614,329
3,810,211	6,568,546	10,378,757
$ 4,246,396	$ 6,746,690	$ 10,993,086

VILLAGE OF MONTPELIER
WILLIAMS COUNTY

Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2017

	General	Parks and Recreation Fund	Tax Capital Improvement Fund	Sewer Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	$ 1,688,935	$ 632,294	$ 838,599	$ 894,320	$ 192,248	$ 4,246,396
Fund Balances						
Restricted		$ 632,294		$ 894,320	$ 192,248	$ 1,718,862
Committed	$ 59,913		$ 838,599			898,512
Assigned	232,048					232,048
Unassigned	1,396,974					1,396,974
Total Fund Balances	$ 1,688,935	$ 632,294	$ 838,599	$ 894,320	$ 192,248	$ 4,246,396

See accompanying notes to the financial statements

VILLAGE OF MONTPELIER
WILLIAMS COUNTY

Statement of Receipts, Disbursements, and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Year Ended December 31, 2017

	General	Parks and Recreation Fund	Tax Capital Improvement Fund	Sewer Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Receipts						
Municipal Income Taxes	$ 862,451	$ 369,023	$ 369,023	$ 369,023		$ 1,969,520
Property and Other Local Taxes	391,328				$ 22,134	413,462
Special Assessments			1,177			1,177
Charges for Services	242,446	45,069	19,010			306,525
Fines, Licenses and Permits	74,824				486	75,310
Intergovernmental	176,787			805,016	171,987	1,153,790
Interest	102,757				582	103,339
Miscellaneous	51,888	5,493	100	720	6,893	65,094
Total Receipts	1,902,481	419,585	389,310	1,174,759	202,082	4,088,217
Disbursements						
Current:						
Security of Persons and Property	821,184		21,030		65,011	907,225
Public Health Services	11,447					11,447
Leisure Time Activities		290,129				290,129
Basic Utility Services	51,915		32,322	13,286		97,523
Transportation	287,762		24,904		214,231	526,897
General Government	233,024		2,168		310	235,502
Capital Outlay	18,132	18,470	229,871	1,048,256		1,314,729
Debt Service:						
Principal Retirement		100,000	260,000	1,016,507		1,376,507
Interest and Fiscal Charges		1,476	3,837	11,254		16,567
Total Disbursements	1,423,464	410,075	574,132	2,089,303	279,552	4,776,526
Excess of Receipts Over (Under) Disbursements	479,017	9,510	(184,822)	(914,544)	(77,470)	(688,309)
Other Financing Sources (Uses)						
Notes Issued		50,000	150,000	906,751		1,106,751
Sale of Capital Assets	9,807					9,807
Transfers In	18,267				60,000	78,267
Transfers Out	(67,818)				(2,513)	(70,331)
Total Other Financing Sources (Uses)	(39,744)	50,000	150,000	906,751	57,487	1,124,494
Net Change in Fund Balances	439,273	59,510	(34,822)	(7,793)	(19,983)	436,185
Fund Balances Beginning of Year	1,249,662	572,784	873,421	902,113	212,231	3,810,211
Fund Balances End of Year	$ 1,688,935	$ 632,294	$ 838,599	$ 894,320	$ 192,248	$ 4,246,396

See accompanying notes to the financial statements

VILLAGE OF MONTPELIER
WILLIAMS COUNTY

Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2017

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Receipts				
Municipal Income Taxes	$ 669,200	$ 809,200	$ 862,451	$ 53,251
Property and Other Local Taxes	388,050	388,050	391,328	3,278
Charges for Services	176,560	176,560	242,446	65,886
Fines, Licenses and Permits	72,500	71,500	74,824	3,324
Intergovernmental	155,610	147,110	176,787	29,677
Earnings on Investments	58,000	91,800	102,530	10,730
Miscellaneous	56,500	55,500	51,888	(3,612)
Total Receipts	1,576,420	1,739,720	1,902,254	162,534
Disbursements				
Current:				
Security of Persons and Property	892,415	902,274	821,184	81,090
Public Health Services	13,210	13,210	11,447	1,763
Basic Utility Services		100	40	60
Transportation	350,440	374,815	287,762	87,053
General Government	284,123	363,982	233,024	130,958
Capital Outlay	10,000		18,132	(18,132)
Total Disbursements	1,550,188	1,654,381	1,371,589	282,792
Excess of Receipts Over (Under) Disbursements	26,232	85,339	530,665	445,326
Other Financing Sources (Uses)				
Sale of Capital Assets		9,800	9,807	7
Transfers Out	(68,352)	(75,158)	(67,818)	7,340
Total Other Financing Sources (Uses)	(68,352)	(65,358)	(58,011)	7,347
Net Change in Fund Balance	(42,120)	19,981	472,654	452,673
Fund Balance Beginning of Year	1,156,368	1,156,368	1,156,368	
Fund Balance End of Year	$ 1,114,248	$ 1,176,349	$ 1,629,022	$ 452,673

See accompanying notes to the financial statements

VILLAGE OF MONTPELIER
WILLIAMS COUNTY

Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Parks and Recreation Fund
For the Year Ended December 31, 2017

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Receipts				
Municipal Income Taxes	$ 290,000	$ 350,000	$ 369,023	$ 19,023
Charges for Services	45,375	45,375	45,069	(306)
Intergovernmental	14,519			
Miscellaneous	1,300	1,100	5,493	4,393
Total receipts	351,194	396,475	419,585	23,110
Disbursements				
Current:				
Leisure Time Activities	361,451	367,510	290,129	77,381
Capital Outlay	28,936	28,936	18,470	10,466
Debt Service:				
Principal Retirement	100,000	100,000	100,000	
Interest and Fiscal Charges	1,500	1,500	1,476	24
Total Disbursements	491,887	497,946	410,075	87,871
Excess of Receipts Over (Under) Disbursements	(140,693)	(101,471)	9,510	110,981
Other Financing Sources (Uses)				
Notes Issued	50,000	50,000	50,000	
Transfers Out	(1,084)			
Total Other Financing Sources (Uses)	48,916	50,000	50,000	
Net Change in Fund Balance	(91,777)	(51,471)	59,510	110,981
Fund Balance Beginning of Year	572,784	572,784	572,784	
Fund Balance End of Year	$ 481,007	$ 521,313	$ 632,294	$ 110,981

See accompanying notes to the financial statements

VILLAGE OF MONTPELIER
WILLIAMS COUNTY

Statement of Fund Net Position - Cash Basis
Proprietary Funds
December 31, 2017

	Business-Type Activities				
	Water Fund	Light Fund	Sewer Fund	Other Enterprise Funds	Total Enterprise Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	$ 963,466	$ 4,176,304	$ 361,291	$ 1,245,629	$ 6,746,690
Net Assets					
Restricted				$ 739,104	$ 739,104
Unrestricted	$ 963,466	$ 4,176,304	$ 361,291	506,525	6,007,586
Total Net Position	$ 963,466	$ 4,176,304	$ 361,291	$ 1,245,629	$ 6,746,690

See accompanying notes to the financial statements

VILLAGE OF MONTPELIER
WILLIAMS COUNTY

Statement of Cash Receipts, Disbursements,
and Changes in Fund Net Position - Cash Basis
Proprietary Funds
For the Year Ended December 31, 2017

	Business-Type Activities				
	Water Fund	Light Fund	Sewer Fund	Other Enterprise Funds	Total Enterprise Funds
Operating Receipts					
Charges for Services	$ 1,124,072	$ 7,397,053	$ 807,237	$ 277,652	$ 9,606,014
Other Operating Receipts	15,933	113,035	12,677	1,127	142,772
Total Operating Receipts	1,140,005	7,510,088	819,914	278,779	9,748,786
Operating Disbursements					
Personal Services	454,135	749,986	422,834	63,759	1,690,714
Travel and Transportation	6,719	33,885	3,661		44,265
Contractual Services	67,680	5,772,311	310,424	42,657	6,193,072
Materials and Supplies	120,412	127,615	171,634		419,661
Total Operating Disbursements	648,946	6,683,797	908,553	106,416	8,347,712
Operating Income (Loss)	491,059	826,291	(88,639)	172,363	1,401,074
Non-Operating Receipts (Disbursements)					
Notes Issued			392,984		392,984
Debt Service	(391,068)	(182,890)	(480,360)	(141,352)	(1,195,670)
Capital Outlay	(854)	(407,011)	(441,049)		(848,914)
Other Financing Sources					
Property & Other Local Taxes		17,059			17,059
Intergovernmental			400,707	35,065	435,772
Interest				834	834
Other Financing Uses		(17,059)			(17,059)
Total Non-Operating Receipts (Disbursements)	(391,922)	(589,901)	(127,718)	(105,453)	(1,214,994)
Income (Loss) before Transfers	99,137	236,390	(216,357)	66,910	186,080
Transfers Out	(2,720)	(1,566)	(2,339)	(1,311)	(7,936)
Change in Net Position	96,417	234,824	(218,696)	65,599	178,144
Net Position Beginning of Year	867,049	3,941,480	579,987	1,180,030	6,568,546
Net Position End of Year	$ 963,466	$ 4,176,304	$ 361,291	$ 1,245,629	$ 6,746,690

See accompanying notes to the financial statements

1. REPORTING ENTITY

The Village of Montpelier, Williams 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. The Village is directed by a six-member Council elected at large for four year terms. The Mayor is elected to a four-year term and has no vote.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, electric, water and sewer utilities, maintenance of Village streets and bridges, park operations, fire protection, and police services.

B. Component Units

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board; and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Village is obligated for the debt of the organization. Component units may also include organizations for which the Village authorizes the issuance of debt or the levying of taxes or determines the budget if there is also the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Village. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Village; accessible to the Village; and significant in amount to the Village. The Village has no component units.

C. Joint Ventures and Public Risk Pools

The Village participates in four joint venture organizations and a public entity risk pool. Notes 8, 12, 13, 14, and 15 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Village's accounting policies.

A. Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" receipts and disbursements. The statements distinguish between those activities of the Village that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net position presents the cash balance of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each program or function of the Village's governmental activities and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental program or business-type activity is self-financing on a cash basis or draws from the general receipts of the Village.

Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported type.

Proprietary fund statements distinguish operating transactions from non-operating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as non-operating.

B. 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 in two categories: governmental and proprietary.

<u>Governmental Funds</u>

Governmental funds are those through which most governmental functions of the Village are financed. The following are the Village's major governmental funds:

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.

Park and Recreation Fund – This fund receives a portion of the 1.6 percent Village income tax. This fund is to be used for the operation, maintenance, and improvement of the Village Parks.

Tax Capital Improvement Fund - This fund receives a portion of the 1.6 percent Village income tax. This fund is to be used for capital improvements within the Village.

Sewer Capital Improvement Fund - This fund receives a portion of the 1.6 percent Village income tax. This fund is to be used to improve the sewer system within the Village.

The other governmental funds of the Village account for and report grants and other resources, whose use is restricted, committed, assigned to a particular purpose

Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as enterprise funds.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the Village's major Enterprise funds:

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

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

Sewer Fund – This fund receives charges for services from residents to cover the cost of providing this utility.

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the Village under a trust agreement for individuals, private organizations, or other governments and are not available to support the Village's own programs. The Village does not have any trust funds. Agency funds are purely custodial in nature and are used to account for assets held by the Village for individuals, other governments, or other organizations. The Village's agency funds account for overpayments of utility billings by individuals.

C. Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Village are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

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D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Village Council may appropriate.

The appropriations ordinance is Village Council's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by Village Council. The legal level of control has been established by Village Council at the fund and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Village Council during the year.

E. Cash, Cash Equivalents, and Investments

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2017, the Village invested in nonnegotiable certificates of deposit, federal agency securities, and money market mutual funds. Investments are reported at cost, except for the money market mutual funds. The Village's money market mutual funds are recorded as the amount reported by Morgan Stanley on December 31, 2017.

Interest earnings are allocated to Village funds according to state statutes, grant requirements, or debt-related restrictions. During fiscal year 2017, interest receipts were credited to the General Fund for $102,757 which includes $85,654 assigned from other funds.

F. Inventory and Prepaid Items

The Village reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

H. Interfund Receivables/Payables

The Village reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements. The Village made no advances during the year.

I. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's cash basis of accounting.

J. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Long Term Obligations

The Village's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure is reported at inception. Lease payments are reported when paid.

L. Net Position

Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for police protection, economic development, and streets and parks.

The Village's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

There are no amounts restricted by enabling legislation.

M. Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted Fund balance is reported as 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.

Enabling legislation authorizes the Village to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Village can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution, as both are equally binding) of Village Council. Those committed amounts cannot be used for any other purpose unless Village Council removes or changes the specified use by taking the same type of action (ordinance or resolution, as both are equally binding) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by Village Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not 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. State Statute authorizes the Village Auditor to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not contained 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.

N. Internal Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general receipts.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

3. BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual - Budgetary Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are funds included with the General Fund as part of the GASB 54 requirements not included in the budgetary statement.

Adjustments necessary to convert the results of operations at the end of the year on the budget basis to the cash basis are as follows:

Net Change in Fund Balance	General Fund
Cash Basis (As Reported)	$ 439,273
Perspective Difference:	
Activity of Funds Reclassified for	
Cash Reporting Purposes	33,381
Budgetary Basis	$ 472,654

4. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the Village into three categories.

Active deposits are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

5. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and

other obligations of political subdivisions of the Sate of Ohio;

6. The State Treasurer's investment pool (STAR Ohio);

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and;

8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payments for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipts of confirmation of transfer from the custodian.

At year end, the Village had $1,950 in undeposited cash on hand which is included as part of “Equity in Pooled Cash and Cash Equivalents”.

Deposits

Custodial credit risk is the risk in the event of bank failure: the Village will not be able to recover deposits or collateral securities that are in possession of an outside party. At year end, $475,037 of the Village's bank balance of $3,773,379 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by:

Eligible securities pledged to the Village and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least one hundred five percent of the deposits being secured; or

By a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

The Village's financial institution is in the process of joining OPCS; however, at December 31, 2017, the financial institution still maintained its own collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

Investments

As of December 31, 2017, the Village had the following investments:

		Investment Maturities				
	Cost Value	< 12 months	13 to 24 months	25 to 36 months	37 to 48 months	49 to 60 months
US Treasuries	$ 744,727	$ 244,922		$ 499,805		
Federal National Mortgage Association (FNMA)	310,471				$ 310,471	
Negotiable Certificate of Deposit	5,362,243	245,000	$ 1,813,288	1,578,492	1,480,463	$ 245,000
Federal Farm Credit Bank (FFCB)	249,750	249,750				
Federal Home Loan Mortgage Company (FHLMC)	783,206	499,625			283,581	
Morgan Stanley	19,105	19,105				
	$ 7,469,502	$ 1,258,402	$ 1,813,288	$ 2,078,297	$ 2,074,515	$ 245,000

Interest Rate Risk Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rate rates subsequently increase. The Village's investment policy addresses interest rate risk by requiring that the Village's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and investing operating funds primarily in short-term investments.

Credit Risk The mutual funds each carry a rating of AAAm by Standard and Poor's. The securities underlying purchase agreements, US Treasuries, FNMA, FHLB, FFCB, and FHLMC securities carry the highest ratings by Moody's and Standard and Poor's (Aaa/AAA).

The Village has no investment policy dealing with investment credit risk beyond the requirements in state statutes.

Custodial Credit Risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal national mortgage association notes and federal home loan mortgage corporation notes are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the Village's name.

The Village's investment policy states that all security transactions entered into by the Village shall be conducted on a delivery-versus-payment basis. Securities will be held by a third party custodian designated by the Director of Finance and evidenced by safekeeping receipts.

Concentration of Credit Risk The Village places no limit on the amount it invests in any one issuer.

The following investments represent five percent or more of total investments as of December 31, 2017:

Investment Issuer	Percentage of Investments
Negotiable Certificate of Deposits	72.00 %
Federal Home Loan Mortgage Corporation Notes	10.00
United States Treasury Notes	10.00

5. PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the Village. Property tax revenue received during 2017 for real and public utility property taxes represents collections of 2016 taxes.

2017 real property taxes are levied after October 1, 2017, on the assessed value as of January 1, 2017, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2017 real property taxes are collected in and intended to finance 2018.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2017 public utility property taxes which became a lien December 31, 2016, are levied after October 1, 2017, and are collected in 2018 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2017, was $3.20 per $1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2017 property tax receipts were based are as follows:

	Amount	Percent
Agriculture/Residential & Other Real Estate Property	$ 47,142,960	99%
Public Utility Personal Property	336,140	1%
Total	$ 47,479,100	100%
Tax rate per $1,000 of Assessed Valuation	$ 3.20	

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Village. The County Auditor periodically remits to the Village its portion of the taxes collected.

6. INCOME TAXES

The Village levies a 1.6 percent income tax on substantially all income earned in the Village. In addition, Village residents employed in municipalities having an income tax less than 1.6 percent must pay the difference to the Village. Additional increases in the income tax rate require voter approval. Employers within the Village withhold income tax on employee compensation and remit at least quarterly and file an annual declaration.

The Village's income tax ordinance requires .6 percent of the income tax receipts to be used to finance capital improvements. As a result, this portion of the receipts is allocated to the Tax and Sewer Capital Improvement funds each year. The remaining income tax receipts are to be used to pay the cost of administering the tax, general fund operations, capital improvements, debt service, and other governmental functions when needed, as determined by Council. In 2017, the receipts were allocated to the general fund, park and recreation fund, tax capital improvement fund, and sewer capital improvement fund.

7. INTERFUND TRANSFERS

During 2017, the following transfers were made:

	Transfers In	Transfers Out
Governmental Activities:		
General	$ 18,267	$ 67,818
Other Governmental Funds:		
Police Pension Fund	60,000	
Street Fund		2,513
Business Type Activities		
Water		2,720
Light		1,566
Sewer		2,339
Storm Sewer		1,311
	$ 78,267	$ 78,267

The Village transferred cash from the General Fund to Police Pension Fund to fund future retirement payouts. The Village also transferred cash from multiple funds to the Compensated Absence Fund to stabilize the other funds from future payments of accumulated benefits. This fund is included in the General Fund for reporting purposes.

8. RISK MANAGEMENT

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, 2016 the OPRM retained 50% of the premium and losses on the first $250,000 casualty treaty and 30% of the first $1,000,000 property treaty. 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. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 764 members as of December 31, 2017.

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, 2017.

Assets	$14,853,620
Liabilities	(9,561,108)
Members' Equity	$5,292,512

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

9. DEFINED BENEFIT PENSION PLANS

A. Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description **–** Village employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Village employees) may elect the Member-Directed Plan and the Combined Plan, substantially all employee members are in OPERS' Traditional Pension Plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the Traditional Pension Plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting https://www.opers.org/financial/reports.shtml, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the Traditional Pension Plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	**State and Local**	**State and Local**
Age and Service Requirements:	**Age and Service Requirements:**	**Age and Service Requirements:**
Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula:	**Formula:**	**Formula:**
2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Public Safety	**Public Safety**	**Public Safety**
Age and Service Requirements:	**Age and Service Requirements:**	**Age and Service Requirements:**
Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
Law Enforcement	**Law Enforcement**	**Law Enforcement**
Age and Service Requirements:	**Age and Service Requirements:**	**Age and Service Requirements:**
Age 52 with 15 years of service credit	Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
Public Safety and Law Enforcement	**Public Safety and Law Enforcement**	**Public Safety and Law Enforcement**
Formula:	**Formula:**	**Formula:**
2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy **–** The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local	Public Safety	Law Enforcement
2017 Statutory Maximum Contribution Rates			
Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	*	**
2017 Actual Contribution Rates			
Employer:			
Pension	13.0 %	17.1 %	17.1 %
Post-employment Health Care Benefits	1.0	1.0	1.0
Total Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	12.0 %	13.0 %

* This rate is determined by OPERS' Board and has no maximum rate established by ORC.
** This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The Village's contractually required contribution was $236,108 for year 2017.

B. Plan Description – Ohio Police & Fire Pension Fund (OPF)

Plan Description – Village full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OPF offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit (see OPF CAFR referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits).

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit, surviving beneficiaries, and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will receive a COLA equal to a percentage of the member's base pension benefit where the percentage is the lesser of three percent or the percentage increase in the consumer price index, if any, over the 12 month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

Funding Policy **–** The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	Police	Firefighters
2017 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2017 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The Village's contractually required contribution to OPF was $86,970 for 2017.

C. Social Security

Several of the Village's employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participant.

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

10. POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

Plan Description **–** The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the Traditional Pension Plan, a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan, a defined contribution plan; and the Combined Plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate all health care assets into the OPERS 115 Health Care Trust. Transition to the new health care trust structure was completed July 1, 2016. As of December 31, 2017, OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage. OPERS funds a Retiree Medical Account (RMA) for participants in the Member-Directed Plan. At retirement or refund, Member-Directed Plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement 45. Please see the Plan Statement in the OPERS CAFR for details.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible benefit recipients. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting https://www.opers.org/financial/reports.shtml#CAFR, by making a written request to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 1-800-222-7377.

Funding Policy **–** The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care coverage through their contributions to OPERS. A portion of each employer's contribution to OPERS may be set aside for the funding of post retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2017, local government employers contributed at a rate of 14.0 percent of covered payroll and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member do not make contributions to the OPEB plan.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0.0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited for Member-Directed Plan participants for 2017 was 4.0 percent.

The Village's contributions for health care to the OPERS for the years ending December 31, 2017, 2016, and 2015 were $18,162, $34,595, and $31,218, respectively., which were equal to the required contributions for each year.

B. Ohio Police and Fire Pension Fund

Plan Description **–** The Village contributes to the Ohio Police and Fire Pension Fund (OPF) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment healthcare plan administered by OPF. OPF provides health care benefits including coverage for medical, prescription drug, dental, vision, Medicare Part B Premium, and long-term care to retirees, qualifying benefit recipients and their eligible dependents.

OPF provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit check, or is a spouse or eligible dependent child of such person. The health care coverage provided by OPF is considered an Other Post Employment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 45.

The Ohio Revised Code permits, but does not mandate, OPF to provide OPEB benefits. Authority for the OPF Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OPF issues a stand-alone financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy **–** The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OPF defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OPF maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administered as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OPF Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2017, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OPF Board of Trustees is also authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Village's contribution for health care to OPF for the years ended December 31, 2017, 2016, and 2015 were $1,869 and $339; $1,794 and $323; and $1,753 and $291, respectively, which were equal to the required contributions for each year.

11. DEBT

LONG-TERM OBLIGATIONS

The changes in the Village's long term debt during 2017 were as follows:

	Outstanding 12/31/16	Additions	Deletions	Outstanding 12/31/17	Due in One Year
Governmental Activities:					
Ohio Waterworks System Revenue Bonds	$191,000			$191,000	$71,000
Ohio Water Development Authority Loans	1,572,127	$806,751	$866,507	1,512,371	62,107
Total Governmental Activities	1,763,127	806,751	866,507	1,703,371	133,107
Business-Type Activities:					
Ohio Public Works Commission Loan	54,777		5,766	49,011	5,766
Ohio Water Development Authority Loans	5,617,244	392,984	866,014	5,144,214	490,146
Total Business-Type Activities	5,672,021	392,984	871,780	5,193,225	495,912
Total Long-Term Obligations	$7,435,148	$1,199,735	$1,738,287	$6,896,596	$629,019

The Ohio Waterworks System Revenue Bonds in the amount of $750,000 were issued in 1982 to finance improvements to the Village's waterworks system. The bonds are repaid annually with five percent interest over 39 years with the final payment due in 2021. Property and revenue of the

Village's waterworks utility have been pledged to retire the debt.

As required by the mortgage revenue bond covenant, the Village has established and funded a reserve fund, included as an enterprise fund. The balance at December 31, 2017 was $53,778.

The Ohio Public Works Commission (OPWC) Loan was entered into in 2005 to finance to improvements to the Village's waterworks system. The interest free loan will be paid back over 20 years beginning in 2006 with the final payment due in 2026. Property and revenue of the Village's waterworks utility have been pledged to retire the debt.

There are the following Ohio Water Development Authority (OWDA) loans:

Loans 2160 and 2161 in the amounts of $539,877 and $455,644 were approved in 1998 to finance a sewer and a water line project for the Village of Holiday City. These loans will be paid back annually at an interest rate of 5.56 percent over 20 years with revenues from user fees charged to the residents and businesses of the Village of Holiday City. Currently, the Village of Holiday City is paying these charges.

Loan 3261 in the amount of $1,628,662 was approved in 2000 to finance the improvement of the wastewater treatment plant. The loan will be paid back annually with interest of 6.41 percent over 20 years with revenues from user fees charged.

Loan 3959 in the amount of $7,551,180 was approved in 2003 to fund the construction, maintenance, and operation of a water treatment plant. This project was completed in 2006. Loan principal and interest payments at rate of two percent are due semi-annually on January 1 and July 1 commencing in July 2006 for 25 years.

Loan 5079 in the amount of $3,547,398 was approved in 2009 to fund the construction of Phase 1 of the Village of Montpelier's Combined Sewer Overflow project. After the award of the loan, the Village received a $2,008,500 grant from the American Recovery and Reinvestment Act funds. The project was completed on July 14, 2010. Loan principal and interest payments at the rate of one percent are due semi-annually on January 1 and July 1 commencing in January 2011 for 20 years.

Loan 6802 in the amount of $1,317,013 was approved in 2014 to fund the construction of Phase 4 of the Village of Montpelier's Combined Sewer Overflow project. At the completion of the project, the Village has drawn $764,635 of this loan as of December 31, 2017. Interest rate on the loan is one percent. Grant Funds paid off the Ohio Public Works Grant and reduced the WPCLF loan by $111,792. Loan principal and interest payments at the rate of one percent are due semi-annually on January 1 and July 1 commencing in January 2016 for 20 years. As of the date of this note, WPCLF has not provided the Village of Montpelier with a final amortization schedule. Only an estimated schedule is available.

Loan 7683 in the amount of $1,661,513 was approved in 2017 to fund the construction of Phase V of the Village of Montpelier's Combined Sewer Overflow project. . Loan principal amount of $805,016 was forgiven in 2017 reducing the loan amount to $856.497. The project will be completed in 2018.

Loan 7826 in the amount of $2,835,190 was approved in 2017 to fund the improvements to the Waste Water Treatment Plant of the Village of Montpelier. Loan principal in the amount of $392,984 was forgiven in 2017 reducing the loan amount to $2,442,206. The project will be completed in 2018.

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

Year Ending December 31:	Ohio Waterworks System Bonds	OWDA Loans	OPWC Loans
2018	$ 88,350	$ 672,284	$ 5,766
2019	44,000	676,383	5,766
2020	44,100	597,314	5,766
2021	44,100	527,797	5,766
2022		455,833	5,766
2023-2027		2,279,165	20,181
2028-2032		1,560,150	
Total	$ 220,550	$ 6,768,926	$ 49,011

SHORT TERM OBLIGATIONS

The changes in the Village's short term debt during 2017 were as follows:

	Outstanding 12/31/16	Additions	Deletions	Outstanding 12/31/17
Governmental Activities:				
Various Purpose Improvements Note, Series 2016	$510,000		$510,000	
Various Purpose Improvements Note, Series 2017		$300,000		$300,000
Total Governmental Activities	$510,000	$300,000	$510,000	$300,000

The Various Purpose Improvement Note, Series 2017 was issued in anticipation of the issuance of bonds for the purpose of improving the wastewater treatment plant, improvements to the Village Hall, improvements to Cranberry Run, and improving and rebuilding the tennis and basketball courts at the Montpelier Municipal Park. The note matures one year after issuance.

12. OMEGA JV2

The Village of Montpelier is a Non-Financing Participant and an Owner Participant with an ownership percentage of 2.98% 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 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, 2016, the outstanding debt was $4,142,633. The Village's net investment in OMEGA JV2 was $397,220 at December 31, 2016 (the latest information available). 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, 2016 are:

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

13. OMEGA JV4

The Village is a participant, with three other subdivisions within the State of Ohio, in a joint venture to oversee construction and operation of a 69 kilowatt transmission line in Williams County, the Ohio Municipal Electric Generation Agency Joint Venture (JV4). JV4 is managed by AMP, who acts as the joint venture's agent. The participants are obligated, by agreement, to remit on a monthly basis those costs incurred from using electric generated by the joint venture. JV4 does not have any debt outstanding. In the event of a shortfall, the Joint Venture participants are billed for their respective shares of the estimated shortfall.

On an audited basis, the Village's net investment to date in OMEGA JV4 was $208,431 at December 31, 2016 (the latest information available). Complete financial statements for OMEGA JV4 may be obtained from AMP or from the State Auditor's website at www.ohioauditor.gov.

14. OMEGA JV5

The Village of Montpelier is a Financing Participant with an ownership percentage of 2.02 %, and shares participation with forty-one other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5). Financing Participants own undivided interests, as tenants in common, without right of partition in the OMEGA JV5 Project.

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

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

Pursuant to the Agreement, each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2016 Montpelier 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. On February 15, 2014, all of the 2004 BIRCs were redeemed from funds held under the trust agreement securing the 2004 BIRCs and the proceeds of a promissory note issued to AMP by OMEGA JV5. This was accomplished with a draw on AMP's revolving credit facility. The resulting balance was $65,891,509 at February 28, 2014. On January 29, 2016, OMEGA JV5 issued the 2016 Beneficial Interest Certificates (“2016 Certificates”) in the amount of $49,745,000 for the purpose of refunding the promissory note to AMP in full. The outstanding amount on the promissory note had been reduced to $49,243,377 at the time of refunding as compared to its value at December 31, 2015 of $49,803,187. The promissory note represented the February 2014 redemption of the 2004 Certificates from funds held under the trust agreement securing the 2004 BIRCs.

The Village’s net investment and its share of operating results of OMEGA JV5 are reported in the Village’s electric fund (an enterprise fund). The Village’s net investment to date in OMEGA JV5 was $60,355 at December 31, 2016 (the latest information available). Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor’s website at www.ohioauditor.gov.

15. OMEGA JV6

The Village of Montpelier 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, 2016 Montpelier 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. On August 15, 2015 the remaining balance was paid on the OMEGA JV6 Bonds.

The Village's net investment to date in OMEGA JV6 was $75,867 at December 31, 2016 (the latest information available). Complete financial statements for OMEGA JV6 may be obtained from AMP or from the State Auditor's website at www.ohioauditor.gov.

The ten participating subdivisions and their respective ownership shares at December 31, 2016 are:

Participant	KW Amount	% of Financing
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%

16. LONG TERM PURCHASE COMMITMENTS

A. Prairie State Energy Campus

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

AMP sells the power and energy from the PSEC Ownership Interest pursuant to a take-or-pay power sales contract (the "Prairie State Power Sales Contract") with 68 Members (the "Prairie State Participants"). The Prairie State 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.

The Village of Montpelier has executed a take-or-pay power sales contract with AMP for 2,488 kW or 0.68% kW of capacity and associated energy from the Prairie State facility.

AMP's share of the total Project costs, including AMP's share of PSEC capital improvements through 2016, resulted in the issuance by AMP of approximately $1.697 billion of debt. These costs include (i) Amp's costs of acquisition of its Ownership Interest and its share of the cost of construction of the PSEC, including an allowance for contingencies, (ii) capitalized interest during and after the scheduled in service dates of the two PSEC Units, (iii) costs of issuance associated with both the interim and long-term financing for the Project and (iv) deposits to the Parity Common Reserve Account for the Bonds issued to permanently finance the Project. As of December 31, 2017 the outstanding obligation on Prairie State project is $1,576,845,000.

B. American Municipal Power Generating Station (AMPGS)

The Village is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project was intended to develop a pulverized coal power plant in Meigs County, Ohio. The Village's project share was 5,000 kilowatts (kW) of a total 771,281 kW, giving the Village a 0.65 percent project share. The AMPGS Project required participants to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. All project costs incurred prior to the cancellation and related to the cancellation were therefore deemed *impaired* and participants were obligated to pay those incurred costs. In prior years, payment of these costs was not required due to AMP's pursuit of legal action to collect them from Bechtel. As a result of a March 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability. The Village's estimated share of the impaired costs at March 31, 2014 was $869,826. The Village received a credit of $141,850 related to their participation in the AMP Fremont Energy Center (AFEC) Project, and another credit of $226,124 related to the AMPGS costs deemed to have future benefit for the project participants, classified as Plant Held for Future Use (PHFU, leaving an estimated net impaired cost balance of $501,852. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact, either positively or negatively, the Village's net impaired cost balance. These amounts will be recorded as they become estimable.

In late 2016, AMP reached a Settlement in the Bechtel Corporation litigation. On December 8, 2016, at the AMPGS Participants meeting, options for the allocation of the Settlement funds were approved. The AMPGS Participants and the AMP Board of Trustees voted to allocate the Settlement among the participants and the AMP General Fund based on each participant's original project share in kW including the AMP General Fund's project share.

Since March 31, 2014 the Village has made payments of $512,049 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 $8,711 and interest expense incurred on AMP's line-of-credit of $4,612, resulting in a net impaired cost estimate at December 31, 2015 of $3,126. The Village does have a potential PHFU Liability of $232,580 resulting in a net total potential liability of $235,706, assuming the assets making up the PHFU (principally the land comprising the Meigs County site) have no value and also assuming the Village's credit balance would earn zero interest. Stranded costs as well as PHFU costs are subject to change, including future borrowing costs on the AMP line of credit. Activities include items such negative items as property taxes as well as positive items revenue from leases or sale of all or a portion of the Meigs County site property.

The Village elected to finance the amount of $3,126 in 2017.

C. Combined Hydroelectric Projects

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 Montpelier has executed a take-or-pay power sales contract with AMP for 1,799 kW or 0.86% of capacity and associated energy from the hydro facilities.

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

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

The Smithland Hydro Project (76MW) is located 62.5 miles upstream of the confluence of the Ohio and Mississippi Rivers. The Smithland project has a FERC License that expires May 31, 2038. The powerhouse houses three horizontal 29.3 MW bulb type turbines and generating units. Average gross annual output is 379 million kWh. AMP expects the three unit Smithland Hydro Project (76MW) to be in commercial operation by second quarter or early third quarter of 2017.

Please note that these projected commercial operation dates set forth above are, and the other information herein, is, subject to change and are dependent on a number of factors affecting each Project’s overall remaining construction schedule, including weather. As a result, the commercial operation dates may occur earlier or later than the time frames set forth above.

On February 12, 2015, AMP reached agreement with Barnard Construction Company, Inc. (“Barnard”) to serve as the replacement powerhouse contractor on AMP’s Smithland Hydroelectric Project (“Smithland Project”), which is one of the three projects constituting the Combines Hydroelectric Projects replacing C.J. Mahan whose contract was terminated by mutual agreement between AMP and C.J. Mahan. Barnard is a highly experienced hydropower construction contractor. AMP and Barnard ware working together to achieve an orderly transition of the Smithland Project from the prior powerhouse contractor. Nearly all of the subcontractors currently working on the Smithland Project have been retained. The Project Engineer, MWH Americas, Inc., all owner furnished equipment suppliers and all other prime contractors remain in place.

To provide financing for the Comdined Hydroelectric Projects, in 2009 and 2010 AMP has issued is seven series $2,045,425,000 of its Combines 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). 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.

AMP issued the Combined Hydro Project Revenue Bonds, Series 2016A (Green Bonds) (the "Series 2016A Bonds") for $209,530,000 on October 6, 2016. The bonds will finance final completion costs and also reimbursement to the AMP credit line, which provided interim financing for costs related to the construction of the three run-of the –river hydroelectric facilities (8 units) along the Ohio River, fund a deposit to the Parity Common Reserve Account, deposit to Escrow Account and pay the cost of issuance of the Series 2016A. The purpose of the "Green bonds" label is to allow investors to invest in an environmentally beneficial project.

As of December 31, 2016 (latest information available) the total outstanding Hydro Project debt on AMP's books is approximately $2,175,339,706.

D. 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, located near the Town of Fremont, Ohio. The closing date to purchase the plant 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 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.

The Village has executed a take-or-pay power sales contract with AMP for 0.28% or 1.320 kW of capacity and associated energy from the AFEC facility.

On January 21, 2012 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 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 interes in AFEC to Michigan Public Power Agency ("MPPA") and entered into a power sales contract with Central Virginia Electric Cooperative ("CVEC") for the output of a 21.248 MW or 4.15% interest in AFEC. AMP has sold the output of the remaining 464.355 MW or 90.69% interest to the AFEC participants, which consist of the 87 members, pursuant to a take-or-pay power sales contract. As of August 31, 2016 the outstanding obligation on the Fremont Energy Center ("AFEC") on AMP's books is $520,620,000.

As of December 31, 2016 (latest information available) Amp's outstanding debt for the AFEC Project was approximately $520,620,000.

17. FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

	General	Parks & Recreation Fund	Tax Capital Improvement Fund	Sewer Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
FUND BALANCES						
Amounts Identified as:						
Restricted For:						
Road Maintenance and Improvements					$ 160,554	$ 160,554
Drug Alcohol Education and Enforcement					2,381	2,381
Police and Fire Pension					29,313	29,313
Parks and Recreation		$ 632,294				632,294
Capital Projects				$ 894,320		894,320
Total Restricted		632,294		894,320	192,248	1,718,862
Committed to:						
Compensated Absences	$ 59,913					59,913
Capital Projects			$ 838,599			838,599
Total Committed	59,913		838,599			898,512
Assigned to:						
Other Purposes - budget stabilization	232,048					232,048
Unassigned	1,396,974					1,396,974
Total fund cash balances	$ 1,688,935	$ 632,294	$ 838,599	$ 894,320	$ 192,248	$ 4,246,396

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

Village of Montpelier
Williams County
211 North Jonesville Street, PO Box 148
Montpelier, Ohio 43543-0148

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 governmental activities, the business-type activities**,** each major fund, and the aggregate remaining fund information of the Village of Montpelier, Williams County, Ohio, (the Village) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon date November 13, 2018.

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.

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

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

Compliance and Other Matters

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

Entity's Response to Findings

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

Purpose of this Report

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

Dave Yost
Auditor of State

Columbus, Ohio

November 13, 2018

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

FINDING NUMBER 2017-001

Material Weakness – Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The following errors required adjustment in the financial statements and/or notes to the financial statements for the year ended December 31, 2017:

- The Ohio Water Development Authority (OWDA), in conjunction with loans made to the Village, paid money on behalf of the Village directly to the vendor in the amounts of $805,016 and $392,984 in the Sewer Capital Improvement Fund and Sewer Fund, respectively, which were not recorded properly on the Village's ledgers. The repayment of these amounts was subsequently forgiven by OWDA. This transaction reducing the Village's loan balance was not recorded by the Village in its financials or in its debt activity note.

- General Fund charges for services revenues of $51,014 and intergovernmental revenues of $33,559 were incorrectly posted to the miscellaneous revenues line.

- Final Budgeted Receipts was overstated by $29,759 and Final Budgeted Disbursements was overstated by $172,578 on the General Fund Budgetary Statement. Also, the Final Budgeted Receipts was overstated by $23,678 and Final Budgeted Disbursements was overstated by $125,556 on the Park and Recreation Fund Budgetary Statement.

These errors were not identified and corrected prior to the Village preparing its financial statements due to deficiencies in the Village's internal controls over financial statement monitoring. The accompanying financial statements, notes to the financial statements and, where applicable, the Village's accounting records have been adjusted to reflect these changes. Additional insignificant errors were also noted.

To help ensure the Village's financial statements and notes 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 Fiscal Officer and Village Council to help identify and correct errors and omissions. Management can use Auditor of State guidance to aid in properly identifying account classifications and preparing annual financial statements.

Official's Response:

I understand the necessity of the noted adjustments and will be certain to make the necessary changes to our accounting practices.

Village of Montpelier
211 N. Jonesville Street • PO Box 148
Montpelier, Ohio 43543
Phone (419) 485-5543
Fax (419) 485-4947

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2017

Finding Number	**Finding Summary**	**Status**	**Additional Information**
2016-001	Material weakness due to errors in financial reporting .	Not corrected and reissued as Finding 2017-001 in this report.	Additional errors occurred and were not detected. Management is aware and understands the importance of the information presented on the financial statements and will ensure revenues will be accurately identified and reported.

Dave Yost • Auditor of State

VILLAGE OF MONTPELIER

WILLIAMS 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
NOVEMBER 27, 2018

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