



Dave Yost • Auditor of State

**VILLAGE OF OAK HARBOR
OTTAWA COUNTY
DECEMBER 31, 2017 AND 2016**

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VILLAGE OF OAK HARBOR
OTTAWA COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Oak Harbor
Ottawa County
P.O. Box 232
Oak Harbor, Ohio 43449

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 Oak Harbor, Ottawa County, Ohio (the Village) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, 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.

Basis for Opinion Qualification

Payroll disbursements are reported at \$1,412,600 and \$1,323,527 for the years ended December 31, 2017 and 2016, respectively, which is 19 percent of total disbursements for the year ended December 31, 2017 and 20 percent of total disbursements for the year ended December 31, 2016. We were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded in each fund as payroll disbursements. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Opinion Qualification

In our opinion, except for the possible effects of the matter described in the *Basis for Opinion Qualification* paragraph, 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 Oak Harbor, Ottawa County, Ohio, as of December 31, 2017 and 2016, and the respective changes in cash financial position and the budgetary comparison for the General fund thereof for the years 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 29, 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 29, 2018

Village of Oak Harbor
Ottawa County
Statement of Net Position - Cash Basis
December 31, 2017

	Governmental Activities	Business - Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$1,575,970	\$3,747,973	\$5,323,943
Net Position			
Restricted for:			
Other Purposes	620,110		620,110
Unrestricted	955,860	3,747,973	4,703,833
Total Net Position	\$1,575,970	\$3,747,973	\$5,323,943

See accompanying notes to the basic financial statements

Village of Oak Harbor
Ottawa County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2017

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position			
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Current:							
Security of Persons and Property	\$701,359	\$89,059			(\$612,300)		(\$612,300)
Public Health Services	8,039				(8,039)		(8,039)
Leisure Time Activities	16,792	900			(15,892)		(15,892)
Community Environment	2,152	2,704			552		552
Basic Utility Services					0		0
Transportation	258,151	4,799	\$177,536		(75,816)		(75,816)
General Government	241,201	10,586	143		(230,472)		(230,472)
Capital Outlay	279,153			\$25,485	(253,668)		(253,668)
Total Governmental Activities	1,506,847	108,048	177,679	25,485	(1,195,635)		(1,195,635)
Business-Type Activities							
Water	1,076,290	1,168,719				\$92,429	92,429
Sanitary Sewer	1,081,685	1,119,983				38,298	38,298
Electric	3,163,647	2,708,050				(455,597)	(455,597)
Storm Drainage	248,478	337,030				88,552	88,552
Utilities Deposit	6,657	10,322				3,665	3,665
Total Business-Type Activities	5,576,757	5,344,104				(232,653)	(232,653)
Total Primary Government	\$7,083,604	\$5,452,152	\$177,679	\$25,485	(1,195,635)	(232,653)	(1,428,288)
General Receipts:							
Property Taxes Levied for:							
General Purposes				221,114			221,114
Special Purpose				216,383			216,383
Income Taxes				881,491			881,491
Grants and Entitlements not Restricted to Specific Programs				53,912			53,912
Sale of Capital Assets				3,593	44,221		47,814
Cable Franchise Fees				18,072			18,072
Earnings on Investments				37,406			37,406
Miscellaneous				45,977			45,977
Total General Receipts				1,477,948	44,221		1,522,169
Change in Net Position				282,313	(188,432)		93,881
<i>Net Position Beginning of Year</i>				<u>1,293,657</u>	<u>3,936,405</u>		<u>5,230,062</u>
<i>Net Position End of Year</i>				<u>\$1,575,970</u>	<u>\$3,747,973</u>		<u>\$5,323,943</u>

See accompanying notes to the basic financial statements

Village of Oak Harbor
Ottawa County
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
December 31, 2017

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	<u>\$846,906</u>	<u>\$729,064</u>	<u>\$1,575,970</u>
Fund Balances			
Nonspendable	\$2,006		\$2,006
Restricted		\$618,104	618,104
Committed		110,960	110,960
Assigned	5,668		5,668
Unassigned	<u>839,232</u>		<u>839,232</u>
<i>Total Fund Balances</i>	<u>\$846,906</u>	<u>\$729,064</u>	<u>\$1,575,970</u>

See accompanying notes to the basic financial statements

Village of Oak Harbor
Ottawa County
Statement of Receipts, Disbursements and Changes Fund Balances - Cash Basis
Governmental Funds
For the Year Ended December 31, 2017

	General	Other Governmental Funds	Total Governmental Funds
Receipts			
Municipal Income Taxes	\$881,491		\$881,491
Property and other local taxes	221,114	\$216,383	437,497
Intergovernmental	53,912	202,160	256,072
Special Assessments		4,799	4,799
Charges for Services	96,727		96,727
Fines, Licenses and Permits	5,622	900	6,522
Cable franchise fees	18,072		18,072
Gifts and contributions	143		143
Earnings on Investments	37,406	861	38,267
Miscellaneous	14,996	30,981	45,977
Total Receipts	1,329,483	456,084	1,785,567
Disbursements			
Current:			
Security of Persons and Property	656,416	44,943	701,359
Public Health Services	8,039		8,039
Leisure Time Activities	16,792		16,792
Community Environment	2,152		2,152
Transportation	147,062	111,089	258,151
General Government	238,049	3,152	241,201
Capital Outlay	10,756	268,397	279,153
Total Disbursements	1,079,266	427,581	1,506,847
Excess of Receipts Over Disbursements	250,217	28,503	278,720
Other Financing Sources (Uses)			
Sale of Capital Assets		3,593	3,593
Transfers In		60,000	60,000
Transfers Out	(60,000)		(60,000)
Total Other Financing Sources (Uses)	(60,000)	63,593	3,593
Net Change in Fund Balances	190,217	92,096	282,313
Fund Balances Beginning of Year	656,689	636,968	1,293,657
Fund Balances End of Year	<u>\$846,906</u>	<u>\$729,064</u>	<u>\$1,575,970</u>

See accompanying notes to the basic financial statements

Village of Oak Harbor
Ottawa 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		Actual	(Optional) Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Municipal Income Taxes	\$750,000	\$750,000	\$881,491	\$131,491
Property and other local taxes	133,560	133,560	221,114	87,554
Intergovernmental	55,034	55,034	53,912	(1,122)
Charges for Services	79,000	79,000	96,727	17,727
Fines, Licenses and Permits	6,885	6,885	5,622	(1,263)
Cable franchise fees	19,000	19,000	18,072	(928)
Gifts and contributions	500	500	143	(357)
Earnings on Investments	30,000	30,000	37,406	7,406
Miscellaneous	105,000	105,000	14,996	(90,004)
<i>Total Receipts</i>	<u>1,178,979</u>	<u>1,178,979</u>	<u>1,329,483</u>	<u>150,504</u>
Disbursements				
Current:				
Security of Persons and Property	649,208	649,208	656,442	(7,234)
Public Health Services	8,942	8,942	8,039	903
Leisure Time Activities	61,407	61,407	17,292	44,115
Community Environment	5,700	5,700	2,668	3,032
Transportation	156,750	156,750	148,926	7,824
General Government	257,247	257,247	240,811	16,436
Capital Outlay			10,756	(10,756)
<i>Total Disbursements</i>	<u>1,139,254</u>	<u>1,139,254</u>	<u>1,084,934</u>	<u>54,320</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>39,725</u>	<u>39,725</u>	<u>244,549</u>	<u>204,824</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	2,000	2,000		(2,000)
Transfers In	874	874		
Transfers Out	(60,000)	(60,000)	(60,000)	(60,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(57,126)</u>	<u>(57,126)</u>	<u>(60,000)</u>	<u>(62,000)</u>
<i>Net Change in Fund Balance</i>	<u>(17,401)</u>	<u>(17,401)</u>	<u>184,549</u>	<u>142,824</u>
<i>Unencumbered Fund Balance Beginning of Year</i>	646,985	646,985	646,985	
Prior Year Encumbrances Appropriated	9,704	9,704	9,704	
<i>Unencumbered Fund Balance End of Year</i>	<u>\$639,288</u>	<u>\$639,288</u>	<u>\$841,238</u>	<u>\$142,824</u>

See accompanying notes to the basic financial statements

Village of Oak Harbor
Ottawa County
Statement of Fund Net Position - Cash Basis
Proprietary Funds
December 31, 2017

	Business-Type Activities				Total Enterprise Funds
	Water Fund	Sewer Fund	Electric Fund	Other Enterprise Funds	
Assets					
Equity in Pooled Cash and Cash Equivalents	\$882,806	\$765,621	\$1,596,298	\$503,248	\$3,747,973
Net Position					
Unrestricted	\$882,806	\$765,621	\$1,596,298	\$503,248	\$3,747,973

See accompanying notes to the basic financial statements

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

	Business-Type Activities				Total Enterprise Funds
	Water	Sewer	Electric	Other Enterprise Funds	
Operating Receipts					
Charges for Services	\$1,162,563	\$1,028,263	\$2,596,497	\$347,052	\$5,134,375
Other Operating Revenue	6,156	91,720	111,553	300	209,729
<i>Total Operating Receipts</i>	<u>1,168,719</u>	<u>1,119,983</u>	<u>2,708,050</u>	<u>347,352</u>	<u>5,344,104</u>
Operating Disbursements					
Personal Services	174,056	291,270	249,754		715,080
Employee Fringe Benefits	64,296	123,304	102,439		290,039
Contractual Services	671,230	129,609	2,154,766	6,657	2,962,262
Supplies and Materials	26,707	44,432	49,281		120,420
Travel and Transportation		118	3,466		3,584
<i>Total Operating Disbursements</i>	<u>936,289</u>	<u>588,733</u>	<u>2,559,706</u>	<u>6,657</u>	<u>4,091,385</u>
<i>Operating Income</i>	<u>232,430</u>	<u>531,250</u>	<u>148,344</u>	<u>340,695</u>	<u>1,252,719</u>
Non-Operating Receipts (Disbursements)					
Sale of Capital Assets				44,221	44,221
Capital Outlay	(133,517)	(130,667)	(603,941)		(868,125)
Principal Retirement	(6,484)	(282,200)		(177,905)	(466,589)
Interest and Other Fiscal Charges		(80,085)		(70,573)	(150,658)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(140,001)</u>	<u>(492,952)</u>	<u>(603,941)</u>	<u>(204,257)</u>	<u>(1,441,151)</u>
<i>Change in Net Position</i>	92,429	38,298	(455,597)	136,438	(188,432)
<i>Net Position Beginning of Year</i>	<u>790,377</u>	<u>727,323</u>	<u>2,051,895</u>	<u>366,810</u>	<u>3,936,405</u>
<i>Net Position End of Year</i>	<u>\$882,806</u>	<u>\$765,621</u>	<u>\$1,596,298</u>	<u>\$503,248</u>	<u>\$3,747,973</u>

See accompanying notes to the basic financial statements

Village of Oak Harbor
Ottawa County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 1 – Reporting Entity

The Village of Oak Harbor, Ottawa County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village operates under a council/mayor form of government. Elected officials include six council members, a fiscal officer, and a mayor. The Village provides various services including police protection, recreation (including parks), street maintenance and repair, utility (including water, sewer, and electric) and general administrative services.

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

Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The primary government of the Village of Oak Harbor provides the following services to its citizens: police protection, parks and recreation, street maintenance and repairs, water, sewer and electric utilities. Council has direct responsibility for these services.

Joint Ventures and Public Entity Risk Pool

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Under the cash basis of accounting, the Village does not report assets for equity interests in joint ventures. The Village is a Non-Financing Participant and an Owner Participant with an ownership percentage of .79% and shares participation with thirty-five other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency (OMEGA JV2). The Village is a Financing Participant with an ownership percentage of .64%, 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). The Village is a participant in the American Municipal Power Generating Station Project (the "AMPGS Project"). For more information on joint ventures see Note 11.

The Village participates in Ohio Plan Risk Management, Inc., which is a public entity risk pool that provides property, liability, and errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine, and other coverages to its members. Note 7 to the financial statements provides additional information for this entity.

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in the "Basis of Accounting" section of this note, 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.

Village of Oak Harbor
Ottawa County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (continued)

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 statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange 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 of the Village's governmental 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 function 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 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. Nonmajor funds are aggregated and presented in a single column.

Proprietary fund statements distinguish operating transactions from nonoperating 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 nonoperating.

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.

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

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.

Village of Oak Harbor
Ottawa County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (continued)

The other governmental funds of the Village account for and report grants and other resources, whose use is restricted, committed or 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 The water fund accounts for the provision of water to the residents and commercial users located within the Village.

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

Electric Fund This fund is used to record user charges for the costs of providing electric service to Village residents and businesses.

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.

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 the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund, department 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 appropriation were passed by the Village Council.

Village of Oak Harbor
Ottawa County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (continued)

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 appropriations 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 the Village Council during the year.

Cash 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. Investments are reported at cost.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2017 were \$37,406, which includes \$32,094 assigned from other Village funds.

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Unclaimed monies that are required to be held for five years before they may be utilized by the Village are reported as restricted.

Inventory and Prepaid Items

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

Capital Assets

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

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.

Village of Oak Harbor
Ottawa County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (continued)

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.

Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Long-Term Obligations

The Village's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the 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.

Net Position

Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. See Note 3 for Net position restricted for other purposes.

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.

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.

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.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance or resolution) of the Village Council. Those committed amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent

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Note 2 – Summary of Significant Accounting Policies (continued)

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 Council or a Village official delegated that authority by ordinance, or by State statute. Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenues and appropriations in the subsequent year's appropriated budget in the General Fund.

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.

Internal Activity

Transfers between governmental and business-type activities on the government-wide financial 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.

Village of Oak Harbor
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 3 - 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:

2017 Fund Balances	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Nonspendable</u>			
Unclaimed monies	\$ 2,006		\$ 2,006
Total nonspendable	<u>2,006</u>		<u>2,006</u>
<u>Restricted for</u>			
Road Improvements		509,108	509,108
Police Operations		92,179	92,179
Other		16,817	16,817
Total restricted		<u>618,104</u>	<u>618,104</u>
<u>Committed to</u>			
Capital Improvements		103,471	103,471
Park Improvements		7,489	7,489
Total committed		<u>110,960</u>	<u>110,960</u>
<u>Assigned</u>			
Encumbrances	5,668		5,668
Total assigned	<u>5,668</u>		<u>5,668</u>
Unassigned	<u>839,232</u>		<u>839,232</u>
Total fund balances	<u>\$ 846,906</u>	<u>\$ 729,064</u>	<u>\$ 1,575,970</u>

Note 4 – 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 difference between the budgetary basis and the cash basis is that outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as assigned fund balance (cash basis).

Village of Oak Harbor
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 4 – Budgetary Basis of Accounting (continued)

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:

	General
Cash Basis	\$ 846,906
Encumbrances	5,668
Budget Basis	\$ 841,238

Note 5 – Deposits and Investments

Monies held by the Village are classified by State statute into three categories:

Active deposits are public deposits determined to be necessary to meet current demands upon the Village treasury. Such 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 may 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 obligation or security 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, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above 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;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

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Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 5 – Deposits and Investments (continued)

6. No-load money market mutual funds consisting exclusively of obligations described in division (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;
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. The State Treasurer’s investment pool (STAR Ohio).

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. Payment 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 receipt of confirmation of transfer from the custodian.

At year end, the Village had \$975 in undeposited cash on hand, which is included as part of “Equity in Pooled Cash and Cash Equivalents”.

Deposits

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 and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, 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 one hundred five percent of the deposits being secured.

Investments

The fair value of these investments is not materially different than measurement value. As of December 31, the Village had the following investments:

Investment Type	Measurement Value	Investment Maturities (in Years) Less than 1
Repurchase Agreements	\$ 2,366,872	\$ 2,366,872
CD	250,000	250,000
CDARS	2,861,000	2,861,000
Total Investments	\$ 3,111,000	\$ 3,111,000

Village of Oak Harbor
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 5 – Deposits and Investments (continued)

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 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 the need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

Credit Risk Credit risk is the possibility that an issuer or other counterparty to an investment will not fulfill its obligation. The Village has no investment policy dealing with investment credit risk beyond the requirements in state statutes.

Note 6 – Taxes

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. 2016 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, 2016, was \$11.17 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2016 property tax receipts were based are as follows (latest information available):

	2017
	<u>Collection Year</u>
Real Property	
Residential and Agricultural	\$ 43,468,600
Public Utility	42,210
Tangible Personal Property	
Public Utility Personal	448,350
Total Assessed Value	<u>\$ 43,959,160</u>

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.

Village of Oak Harbor
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 6 – Taxes (Continued)

Income Taxes

The Village levies a 1 percent income tax on substantially all income earned in the Village as well as certain income of residents earned outside the Village. Employers within the Village withhold income tax on employee compensation. Corporations and other individual taxpayers remit estimated taxes quarterly and file a declaration annually. In 2017, the receipts were allocated to the general fund.

Note 7 – Risk Management

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

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. Until November 1, 2016, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 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. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 762 members as of December 31, 2016.

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.

	<u>2017</u>	
Assets		\$14,853,620
Liabilities		<u>(9,561,108)</u>
Members' Equity		<u>\$ 5,292,512</u>

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

Village of Oak Harbor
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Plan Description – Village employees, other than full-time police, 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 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 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/investments/cafr.shtml>, by writing to Ohio Public Employees Retirement System, 277 East Town Street, Columbus, OH 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 plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

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 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
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	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	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

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.

Village of Oak Harbor
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 8 – Defined Benefit Pension Plans (continued)

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, 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
2017 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
 2017 Actual Contribution Rates	
Employer:	
Pension	13.0 %
Post-employment Health Care Benefits	1.0
Total Employer	14.0 %
 Employee	 10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Village’s contractually required contribution was \$129,775 for year 2017.

Ohio Police and Fire Pension Fund

Plan Description - Village full-time police participate in the 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 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 July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

Village of Oak Harbor
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 8 – Defined Benefit Pension Plans (continued)

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5% for each of the first 20 years of service credit, 2% for each of the next five years of service credit and 1.5% 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.

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 and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent of the percent increase, if any, in the Consumer Price Index (CPI) over the 12 month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

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

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

Employer contribution rates are expressed as a percentage of covered payroll. The Village’s contractually required contribution to OPF was \$74,898 for 2017.

Note 9 - Postemployment Benefits

Ohio Public Employees Retirement System

Plan Description – The Ohio Public Employees Retirement System (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. The combined plan is a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

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Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 9 - Postemployment Benefits (continued)

OPERS maintained two cost-sharing, multiple-employer defined benefit postemployment health care trusts, which funded multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients 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.

In order to qualify for postemployment 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 meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. See OPERS' CAFR referenced below for additional information.

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

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2017, the Village contributed at a rate of 14.00% of earnable salary for state and local employees. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

At the beginning of 2016, OPERS maintained three health care trusts. The two cost-sharing, multiple employer trusts, the 401(h) Health Care Trust (401(h) Trust) and the 115 Health Care Trust (115 Trust), worked together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. Each year, the OPERS Board of Trustees determines the portion of the employer contributions rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2017 was 1.00% for both the Traditional Pension and Combined plans. The 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 third trust is a Voluntary Employee's Beneficiary Association (VEBA) Trust that provides funding for a Retiree Medical Account (RMA) for Member-Directed Plan members. The employer contribution as a percentage of covered payroll deposited to the RMAs for 2016 was 4.00%.

In March 2016, OPERS received two favorable rulings from the IRS allowing OPERS to consolidate all health care assets into the 115 Trust. Transition to the new health care trust structure occurred during 2016. OPERS Combining Statements of Changes in Fiduciary Net Position for the year ended December 31, 2016, will reflect a partial year of activity in the 401(h) Trust and VEBA Trust prior to the termination of these trusts as of end of business day June 30, 2016, and the assets and liabilities, or net position, of these trusts being consolidated into the 115 Trust on July 1, 2016.

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Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 9 - Postemployment Benefits (continued)

Substantially all of the Village's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2017, 2016, and 2015 was \$9,270, \$21,439, and \$17,303, respectively. The full amount has been contributed for all three years.

Ohio Police and Fire Pension Fund

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

OPF provides access post-retirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or statutory survivor benefit or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code allows, 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 publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OPF's website at www.op-f.org.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (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% of covered payroll for police. The Ohio Revised Code states that the employer contribution may not exceed 19.5% of covered payroll for police employer units. Active members do not make contributions to the OPEB Plan.

OPF maintains funds for health care in two separate accounts. One fund is for health care benefits under an IRS Code Section 115 trust and one fund is for Medicare Part B reimbursements administrated 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. The portion of employer contributions allocated to health care was .5% of covered payroll for 2016. 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 also is 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.

Village of Oak Harbor
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 9 - Postemployment Benefits (continued)

The Village's contributions to OPF allocated to the health care plan for the years ending December 31, 2017, 2016, and 2015 were \$1,920, \$1,247, and \$1,904 respectively. The full amount has been contributed for all three years.

Note 10 – Debt

Loans

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
Ohio Water Development Authority (OWDA) Loans:			
1999 Sludge Handling - 2166	5.56%	\$ 1,003,563	January 1, 2021
2007 Combined Sewer Overflow (CSO) - 4806	2.86%	5,916,611	January 1, 2029
2009 Supplemental CSO - 5212	2.93%	348,916	January 1, 2029
2011 CSO Basin Improvements - 5953	3.36 - 3.77%	976,324	January 1, 2023
Ohio Public Works Commission (OPWC) Loans:			
CE03R	0.00%	129,676	January 1, 2036
Croghan Colonial Bank Loan:			
Street Sweeper - 26091559	3.15%	197,035	May 25, 2023

The Village's long-term debt activity for the year ended December 31, was as follows:

	Interest Rates	Balance at 1/1/2017	Increase	Decrease	Balance at 12/31/2017	Due in < 1 year
Governmental Activities:						
Street Sweeper	3.15%	\$ 197,035	\$ -	\$ (25,565)	\$ 171,470	\$ 26,382
Business-Type Activities:						
O.P.W.C. Loans		\$ 123,192	\$ -	\$ (6,484)	\$ 116,708	\$ 6,484
O.W.D.A. Loans	2.86% to 5.56%	5,104,509	-	(460,105)	4,644,404	475,984
Total Long-term Obligations		\$ 5,227,701	\$ -	\$ (466,589)	\$ 4,761,112	\$ 482,468

The Ohio Water Development Authority Loans were used for improvements to the Village's water treatment and sewer treatment systems. The loans will be paid from user charges.

During 2015, the Village completed Phase II of the State Route 163 Waterline Replacement Project financed through the Ohio Public Works Commission totaling \$129,676 with 0% interest to be paid from user charges.

During 2016, the Village purchased a street sweeper for use by the street department financed through a loan from Croghan Colonial Bank. The loan totaled \$197,035 and had an interest rate of 3.15%. The loan matures in 2032.

Village of Oak Harbor
Ottawa County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 10 – Debt (continued)

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2017 are as follows:

Year ending December 31:	OPWC Loan	OWDA Loans	Croghan Colonial Loan
2018	\$ 6,484	\$ 615,130	\$ 31,858
2019	6,484	615,130	31,858
2020	6,484	615,130	31,859
2021	6,484	531,359	31,858
2022	6,484	531,359	31,858
2023-2027	32,419	2,070,653	31,858
2027-2031	32,419	414,131	-
2032-2036	19,450	-	-
Total	<u>\$ 116,708</u>	<u>\$ 5,392,892</u>	<u>\$ 191,149</u>

Note 11 – Joint Ventures

AMP Generating Station (AMPGS) Project

The Village is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project was intended to develop a pulverized coal power plant in Meigs County, Ohio. The Village’s project share was 1,000 kilowatts (kW) of a total 771,281 kW, giving the Village a 0.13 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 \$172,840. The Village received a credit of \$47,283 related to their participation in the AMP Fremont Energy Center (AFEC) Project, and another credit of \$45,225 related to the AMPGS costs deemed to have future benefit for the project participants, classified as Plant Held for Future Use (PHFU). In addition the Village made payments totaling \$57,039 leaving an estimated net impaired cost balance of \$23,293. 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.

Village of Oak Harbor
Ottawa County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 11 – Joint Ventures (continued)

Since March 31, 2014 the Village has made payments of \$29,099 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 \$1,741 and interest on its credit balance due to its payments, credited to the Village of \$18, resulting in a net credit balance at December 31, 2016 of \$4,083. The Village has opted to leave the credit balance with AMP to offset any additional AMPGS Project costs in the future. The Village does have a potential PHFU Liability of \$46,517 resulting in a net total potential liability of \$42,434, assuming the assets making up the PHFU (principally the land comprising the Meigs County site) have no value and also assuming the Village's credit balance would earn zero interest. Stranded costs as well as PHFU costs are subject to change, including future borrowing costs on the AMP line of credit. Activities include items such negative items as property taxes as well as positive items revenue from leases or sale of all or a portion of the Meigs County site property.

The Village intends to absorb these costs.

OMEGA JV2

The Village is a Non-Financing Participant and an Owner Participant with an ownership percentage of .55% 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 position 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, 2017, the outstanding debt was \$188,625. The Village's net investment in OMEGA JV2 was \$55,237 at December 31, 2017. Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor's website at www.ohioauditor.gov.

Village of Oak Harbor
Ottawa County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 11 – Joint Ventures (continued)

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2017 are:

<u>Municipality</u>	<u>Percent</u> <u>Ownership</u>	<u>Kw</u> <u>Entitlement</u>	<u>Municipality</u>	<u>Percent</u> <u>Ownership</u>	<u>Kw</u> <u>Entitlement</u>
Hamilton	23.87%	32,000	Grafton	0.79%	1,056
Bowling Green	14.32%	19,198	Brewster	0.75%	1,000
Niles	11.49%	15,400	Monroeville	0.57%	764
Cuyahoga 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	<u>0.79%</u>	<u>1,066</u>	Custar	<u>0.00%</u>	<u>4</u>
	<u>95.20%</u>	<u>127,640</u>		<u>4.80%</u>	<u>6,441</u>
			Grand Total	<u>100.00%</u>	<u>134,081</u>

Under the Village's cash basis of accounting, the equity interest in OMEGA JV2 is not reported as an asset in the accompanying cash basis financial statements.

OMEGA JV5

The Village is a Financing Participant with an ownership percentage of .94%, 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 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 Bellville, West Virginia Locks and Dam) and sells electricity from its operations to OMEGA JV5 Participants.

Village of Oak Harbor
Ottawa County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 11 – Joint Ventures (continued)

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 & Management 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 position 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 the OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2015 the Village of Oak Harbor 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-Ohio issued \$153,415,000 and \$13,899,981 respectively of the 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, JV5 issued Beneficial Interest Refunding 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. AMP will continue to collect debt service from the JV5 participants until the note is paid in full.

The Village's net investment to date in OMEGA JV5 was \$28,086 at December 31, 2017. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at www.ohioauditor.gov.

Note 12 - Contingent Liabilities

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

Village of Oak Harbor
Ottawa County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 13 - Interfund Transfers

<u>Transfers To</u>	<u>Transfers From</u>
<u>Other Governmental Funds</u>	<u>General</u>
Capital Improvements	\$ 60,000

The general fund transfers to the other governmental funds were made to provide additional resources for current operations and capital improvements.

Note 14 – Miscellaneous Receipts

In 2017, Other Governmental Funds Miscellaneous Receipts consist primarily of the amount received with regards to a trash bid.

Village of Oak Harbor
Ottawa County
Statement of Net Position - Cash Basis
December 31, 2016

	Governmental Activities	Business - Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$1,293,657	\$3,936,405	\$5,230,062
Net Position			
Restricted for:			
Nonexpendable	2,006		2,006
Other Purposes	461,774		461,774
Unrestricted	829,877	3,936,405	4,766,282
Total Net Position	\$1,293,657	\$3,936,405	\$5,230,062

See accompanying notes to the basic financial statements

Village of Oak Harbor
Ottawa County
 Statement of Activities - Cash Basis
 For the Year Ended December 31, 2016

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Position		
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Current:							
Security of Persons and Property	\$661,366	\$86,241			(\$575,125)		(\$575,125)
Public Health Services	8,510				(8,510)		(8,510)
Leisure Time Activities	8,971	300			(8,671)		(8,671)
Community Environment	1,182	1,765			583		583
Transportation	260,600	4,923	\$168,315		(87,362)		(87,362)
General Government	231,220	10,284			(220,936)		(220,936)
Capital Outlay	546,869		141,502	\$137,375	(267,992)		(267,992)
Total Governmental Activities	<u>1,718,718</u>	<u>103,513</u>	<u>309,817</u>	<u>137,375</u>	<u>(1,168,013)</u>		<u>(1,168,013)</u>
Business-Type Activities							
Water	987,987	1,113,952				\$125,965	125,965
Sanitary Sewer	1,184,935	1,099,426				(85,509)	(85,509)
Electric	2,725,044	2,807,401				82,357	82,357
Storm Drainage	248,628	317,453				68,825	68,825
Utilities Deposit	15,458	6,653				(8,805)	(8,805)
Total Business-Type Activities	<u>5,162,052</u>	<u>5,344,885</u>				<u>182,833</u>	<u>182,833</u>
Total Primary Government	<u>\$6,880,770</u>	<u>\$5,448,398</u>	<u>\$309,817</u>	<u>\$137,375</u>	<u>(1,168,013)</u>	<u>182,833</u>	<u>(985,180)</u>
General Receipts:							
Property Taxes Levied for:							
					225,798		225,798
					97,230		97,230
					824,460		824,460
					55,234		55,234
					61,081	135,954	197,035
					18,661	42,080	60,741
					19,057		19,057
					18,659		18,659
					56,699		56,699
					<u>1,376,879</u>	<u>178,034</u>	<u>1,554,913</u>
<i>Total General Receipts</i>							
Change in Net Position					208,866	360,867	569,733
<i>Net Position Beginning of Year</i>					<u>1,084,791</u>	<u>3,575,538</u>	<u>4,660,329</u>
<i>Net Position End of Year</i>					<u>\$1,293,657</u>	<u>\$3,936,405</u>	<u>\$5,230,062</u>

See accompanying notes to the basic financial statements

Village of Oak Harbor
Ottawa County
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
December 31, 2016

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$656,689	\$636,968	\$1,293,657
Fund Balances			
Nonspendable	\$2,006		\$2,006
Restricted		\$461,774	461,774
Committed		175,194	175,194
Assigned	9,704		9,704
Unassigned	644,979		644,979
<i>Total Fund Balances</i>	\$656,689	\$636,968	\$1,293,657

See accompanying notes to the basic financial statements

Village of Oak Harbor
Ottawa County
Statement of Receipts, Disbursements and Changes Fund Balances - Cash Basis
Governmental Funds
For the Year Ended December 31, 2016

	General	Other Governmental Funds	Total Governmental Funds
Receipts			
Municipal Income Taxes	\$824,460		\$824,460
Property and other local taxes	225,798	\$97,230	323,028
Intergovernmental	55,234	396,950	452,184
Special Assessments		4,923	4,923
Charges for Services	92,991	1,525	94,516
Fines, Licenses and Permits	3,774	300	4,074
Cable franchise fees	19,057		19,057
Gifts and contributions	96	50,000	50,096
Earnings on Investments	18,659	242	18,901
Miscellaneous	5,618	50,985	56,603
Total Receipts	1,245,687	602,155	1,847,842
Disbursements			
Current:			
Security of Persons and Property	660,890	476	661,366
Public Health Services	8,510		8,510
Leisure Time Activities	8,971		8,971
Community Environment	1,182		1,182
Transportation	137,367	123,233	260,600
General Government	229,613	1,607	231,220
Capital Outlay	35,516	511,353	546,869
Total Disbursements	1,082,049	636,669	1,718,718
Excess of Receipts Over (Under) Disbursements	163,638	(34,514)	129,124
Other Financing Sources (Uses)			
Other Debt Proceeds		61,081	61,081
Sale of Capital Assets		18,661	18,661
Transfers In		40,000	40,000
Transfers Out	(40,000)		(40,000)
Advances In	141,502		141,502
Advances Out	(141,502)		(141,502)
Total Other Financing Sources (Uses)	(40,000)	119,742	79,742
Net Change in Fund Balances	123,638	85,228	208,866
Fund Balances Beginning of Year	533,051	551,740	1,084,791
Fund Balances End of Year	<u>\$656,689</u>	<u>\$636,968</u>	<u>\$1,293,657</u>

See accompanying notes to the basic financial statements

Village of Oak Harbor
Ottawa County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	(Optional)
	Original	Final		Variance with Final Budget Positive (Negative)
Receipts				
Municipal Income Taxes	\$650,000	\$650,000	\$824,460	\$174,460
Property and other local taxes	128,575	128,575	225,798	97,223
Intergovernmental	151,002	151,002	55,234	(95,768)
Charges for Services	73,426	73,426	92,991	19,565
Fines, Licenses and Permits	6,885	6,885	3,774	(3,111)
Cable franchise fees	19,000	19,000	19,057	57
Gifts and contributions	500	500	96	(404)
Earnings on Investments	30,000	30,000	18,659	(11,341)
Miscellaneous	165,000	165,000	5,618	(159,382)
<i>Total Receipts</i>	<u>1,224,388</u>	<u>1,224,388</u>	<u>1,245,687</u>	<u>21,299</u>
Disbursements				
Current:				
Security of Persons and Property	687,000	689,631	662,650	26,981
Public Health Services	8,510	8,510	8,510	
Leisure Time Activities	24,500	15,790	9,298	6,492
Community Environment	2,252	2,352	1,482	870
Transportation	169,500	173,928	139,565	34,363
General Government	427,002	427,002	234,732	192,270
Capital Outlay	50,000	50,000	35,516	14,484
<i>Total Disbursements</i>	<u>1,368,764</u>	<u>1,367,213</u>	<u>1,091,753</u>	<u>275,460</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(144,376)</u>	<u>(142,825)</u>	<u>153,934</u>	<u>296,759</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	2,000	2,000		(2,000)
Transfers In	874	874		(874)
Transfers Out	(40,000)	(40,000)	(40,000)	
Advances In	141,502	141,502	141,502	
Advances Out	(141,502)	(141,502)	(141,502)	
<i>Total Other Financing Sources (Uses)</i>	<u>(37,126)</u>	<u>(37,126)</u>	<u>(40,000)</u>	<u>(2,874)</u>
<i>Net Change in Fund Balance</i>	<u>(181,502)</u>	<u>(179,951)</u>	<u>113,934</u>	<u>293,885</u>
<i>Unencumbered Fund Balance Beginning of Year</i>	520,724	520,724	520,724	
Prior Year Encumbrances Appropriated	12,327	12,327	12,327	
<i>Unencumbered Fund Balance End of Year</i>	<u>\$339,222</u>	<u>\$353,100</u>	<u>\$646,985</u>	<u>\$293,885</u>

See accompanying notes to the basic financial statements

Village of Oak Harbor
Ottawa County
Statement of Fund Net Position - Cash Basis
Proprietary Funds
December 31, 2016

	Business-Type Activities				Total Enterprise Funds
	Water Fund	Sewer Fund	Electric Fund	Other Enterprise Funds	
Assets					
Equity in Pooled Cash and Cash Equivalents	\$790,377	\$727,323	\$2,051,895	\$366,810	\$3,936,405
Net Position					
Unrestricted	\$790,377	\$727,323	\$2,051,895	\$366,810	\$3,936,405

See accompanying notes to the basic financial statements

Village of Oak Harbor
Ottawa County
Statement of Receipts, Disbursements and Changes in Fund Net Position - Cash Basis
Proprietary Funds
For the Year Ended December 31, 2016

	Business-Type Activities				Total Enterprise Funds
	Water	Sewer	Electric	Other Enterprise Funds	
Operating Receipts					
Charges for Services	\$1,109,103	\$1,011,651	\$2,683,195	\$324,106	\$5,128,055
Other Operating Revenue	4,849	87,775	124,206		216,830
<i>Total Operating Receipts</i>	<u>1,113,952</u>	<u>1,099,426</u>	<u>2,807,401</u>	<u>324,106</u>	<u>5,344,885</u>
Operating Disbursements					
Personal Services	156,723	259,571	266,001		682,295
Employee Fringe Benefits	58,783	105,817	105,111		269,711
Contractual Services	638,023	140,397	2,238,741		3,017,161
Supplies and Materials	46,998	52,260	43,133		142,391
Travel and Transportation	440	816	1,437		2,693
Other				15,458	15,458
<i>Total Operating Disbursements</i>	<u>900,967</u>	<u>558,861</u>	<u>2,654,423</u>	<u>15,458</u>	<u>4,129,709</u>
<i>Operating Income</i>	<u>212,985</u>	<u>540,565</u>	<u>152,978</u>	<u>308,648</u>	<u>1,215,176</u>
Non-Operating Receipts (Disbursements)					
Sale of Capital Assets				42,080	42,080
Other Debt Proceeds		135,954			135,954
Capital Outlay	(78,748)	(267,870)	(70,621)	(150)	(417,389)
Principal Retirement	(6,484)	(271,876)		(172,917)	(451,277)
Interest and Other Fiscal Charges		(86,328)		(75,561)	(161,889)
Other Financing Uses	(1,788)				(1,788)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(87,020)</u>	<u>(490,120)</u>	<u>(70,621)</u>	<u>(206,548)</u>	<u>(854,309)</u>
<i>Change in Net Position</i>	125,965	50,445	82,357	102,100	360,867
<i>Net Position Beginning of Year</i>	<u>664,412</u>	<u>676,878</u>	<u>1,969,538</u>	<u>264,710</u>	<u>3,575,538</u>
<i>Net Position End of Year</i>	<u>\$790,377</u>	<u>\$727,323</u>	<u>\$2,051,895</u>	<u>\$366,810</u>	<u>\$3,936,405</u>

See accompanying notes to the basic financial statements

Village of Oak Harbor
Ottawa County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 1 – Reporting Entity

The Village of Oak Harbor, Ottawa County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village operates under a council/mayor form of government. Elected officials include six council members, a fiscal officer, and a mayor. The Village provides various services including police protection, recreation (including parks), street maintenance and repair, utility (including water, sewer, and electric) and general administrative services.

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

Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The primary government of the Village of Oak Harbor provides the following services to its citizens: police protection, parks and recreation, street maintenance and repairs, water, sewer and electric utilities. Council has direct responsibility for these services.

Joint Ventures and Public Entity Risk Pool

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Under the cash basis of accounting, the Village does not report assets for equity interests in joint ventures. The Village is a Non-Financing Participant and an Owner Participant with an ownership percentage of .79% and shares participation with thirty-five other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency (OMEGA JV2). The Village is a Financing Participant with an ownership percentage of .64%, 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). The Village is a participant in the American Municipal Power Generating Station Project (the "AMPGS Project"). For more information on joint ventures see Note 13.

The Village participates in Ohio Plan Risk Management, Inc., which is a public entity risk pool that provides property, liability, and errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine, and other coverages to its members. Note 7 to the financial statements provides additional information for this entity.

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in the "Basis of Accounting" section of this note, these financial statements are presented on a modified cash basis of accounting. This modified 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.

Village of Oak Harbor
Ottawa County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 2 – Summary of Significant Accounting Policies (continued)

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 statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange 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 of the Village's governmental 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 function 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 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. Nonmajor funds are aggregated and presented in a single column.

Proprietary fund statements distinguish operating transactions from nonoperating 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 nonoperating.

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.

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

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.

Village of Oak Harbor
Ottawa County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 2 – Summary of Significant Accounting Policies (continued)

The other governmental funds of the Village account for and report grants and other resources, whose use is restricted, committed or 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 The water fund accounts for the provision of water to the residents and commercial users located within the Village.

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

Electric Fund This fund is used to record user charges for the costs of providing electric service to Village residents and businesses.

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.

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 the Village Council may appropriate. The appropriations ordinance is the Village Council’s authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund, department 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 appropriation were passed by the Village Council.

Village of Oak Harbor
Ottawa County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 2 – Summary of Significant Accounting Policies (continued)

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 appropriations 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 the Village Council during the year.

Cash 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. Investments are reported at cost.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2016 were \$18,659, which includes \$16,367 assigned from other Village funds.

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Unclaimed monies that are required to be held for five years before they may be utilized by the Village are reported as restricted.

Inventory and Prepaid Items

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

Capital Assets

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

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.

Note 2 – Summary of Significant Accounting Policies (continued)

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.

Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Long-Term Obligations

The Village’s cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the 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 another financing source nor a capital outlay expenditure is reported at inception. Lease payments are reported when paid.

Net Position

Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. See Note 3 for Net position restricted for other purposes.

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.

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.

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.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance or resolution) of the Village Council. Those committed amounts cannot be used for any other purpose unless the Village Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent

Village of Oak Harbor
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 2 – Summary of Significant Accounting Policies (continued)

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 the Village Council or a Village official delegated that authority by ordinance, or by State statute. The Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenues and appropriations in the subsequent year's appropriated budget in the General Fund.

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.

Internal Activity

Transfers between governmental and business-type activities on the government-wide financial 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.

Village of Oak Harbor
Ottawa County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 3 - 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:

2017 Fund Balances	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Nonspendable</u>			
Unclaimed monies	\$ 2,006		\$ 2,006
Total nonspendable	<u>2,006</u>		<u>2,006</u>
<u>Restricted for</u>			
Road Improvements		434,096	434,096
Police Operations		10,860	10,860
Other		16,818	16,818
Total restricted		<u>461,774</u>	<u>461,774</u>
<u>Committed to</u>			
Capital Improvements		157,648	157,648
Park Improvements		6,905	6,905
Other		10,641	10,641
Total committed		<u>175,194</u>	<u>175,194</u>
<u>Assigned</u>			
Encumbrances	9,704		9,704
Total assigned	<u>9,704</u>		<u>9,704</u>
Unassigned	<u>644,979</u>		<u>644,979</u>
Total fund balances	<u>\$ 656,689</u>	<u>\$ 636,968</u>	<u>\$ 1,293,657</u>

Note 4 – 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 difference between the budgetary basis and the cash basis is that outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as assigned fund balance (cash basis).

Village of Oak Harbor
Ottawa County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 4 – Budgetary Basis of Accounting (continued)

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:

	General
Cash Basis	\$ 656,689
Encumbrances	9,704
Budget Basis	<u>\$ 646,985</u>

Note 5 – Deposits and Investments

Monies held by the Village are classified by State statute into three categories:

Active deposits are public deposits determined to be necessary to meet current demands upon the Village treasury. Such 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 may 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 obligation or security 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, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above 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;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

Village of Oak Harbor
Ottawa County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 5 – Deposits and Investments (continued)

6. No-load money market mutual funds consisting exclusively of obligations described in division (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;
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. The State Treasurer’s investment pool (STAR Ohio).

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. Payment 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 receipt of confirmation of transfer from the custodian.

At year end, the Village had \$975 in undeposited cash on hand, which is included as part of “Equity in Pooled Cash and Cash Equivalents”.

Deposits

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 and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, 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 one hundred five percent of the deposits being secured.

Investments

The fair value of these investments is not materially different than measurement value. As of December 31, the Village had the following investments:

Investment Type	Measurement Value	Investment Maturities (in Years) <u>Less than 1</u>
Repurchase Agreements	\$ 2,366,872	\$ 2,366,872
CD	250,000	250,000
CDARS	2,811,000	2,811,000
Total Investments	\$ 3,061,000	\$ 3,061,000

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 rates subsequently increase. The Village’s investment policy addresses

Village of Oak Harbor
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 5 – Deposits and Investments (continued)

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 the need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

Credit Risk Credit risk is the possibility that an issuer or other counterparty to an investment will not fulfill its obligation. The Village has no investment policy dealing with investment credit risk beyond the requirements in state statutes.

Note 6 – Taxes

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. 2016 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, 2016, was \$11.17 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2016 property tax receipts were based are as follows (latest information available):

	2016 <u>Collection Year</u>
Real Property	
Residential and Agricultural	\$ 43,468,600
Public Utility	42,210
Tangible Personal Property	
Public Utility Personal	<u>448,350</u>
Total Assessed Value	<u>\$ 43,959,160</u>

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.

Income Taxes

The Village levies a 1 percent income tax on substantially all income earned in the Village as well as certain income of residents earned outside the Village. Employers within the Village withhold income tax on employee compensation. Corporations and other individual taxpayers remit estimated taxes quarterly and file a declaration annually. In 2017, the receipts were allocated to the general fund.

Village of Oak Harbor
Ottawa County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 7 – Risk Management

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

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. Until November 1, 2016, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 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. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 762 members as of December 31, 2016.

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, 2016.

	<u>2016</u>	
Assets		\$14,765,712
Liabilities		<u>(9,531,506)</u>
Members' Equity		<u>\$ 5,234,206</u>

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

Village of Oak Harbor
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Plan Description – Village employees, other than full-time police, 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 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 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/investments/cafr.shtml>, by writing to Ohio Public Employees Retirement System, 277 East Town Street, Columbus, OH 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 plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

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 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
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	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	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

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, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Village of Oak Harbor
Ottawa County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 8 – Defined Benefit Pension Plans (continued)

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

	State and Local
2017 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
 2017 Actual Contribution Rates	
Employer:	
Pension	13.0 %
Post-employment Health Care Benefits	1.0
Total Employer	14.0 %
 Employee	 10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Village’s contractually required contribution was \$150,076 for year 2016.

Ohio Police and Fire Pension Fund

Plan Description - Village full-time police participate in the 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 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 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% for each of the first 20 years of service credit, 2% for each of the next five years of service credit and 1.5% 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.

Village of Oak Harbor
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 8 – Defined Benefit Pension Plans (continued)

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 and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent of the percent increase, if any, in the Consumer Price Index (CPI) over the 12 month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

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

	<u>Police</u>
2017 Statutory Maximum Contribution Rates	
Employer	19.50 %
Employee	12.25 %
 2017 Actual Contribution Rates	
Employer:	
Pension	19.00 %
Post-employment Health Care Benefits	0.50 %
Total Employer	19.50 %
Employee	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The Village’s contractually required contribution to OPF was \$48,634 for 2016.

Note 9 - Postemployment Benefits

Ohio Public Employees Retirement System

Plan Description – The Ohio Public Employees Retirement System (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. The combined plan is a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintained two cost-sharing, multiple-employer defined benefit postemployment health care trusts, which funded multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients 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.

Village of Oak Harbor
Ottawa County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 9 - Postemployment Benefits (continued)

In order to qualify for postemployment 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 meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. See OPERS' CAFR referenced below for additional information.

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

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2017, the Village contributed at a rate of 14.00% of earnable salary for state and local employees. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

At the beginning of 2016, OPERS maintained three health care trusts. The two cost-sharing, multiple employer trusts, the 401(h) Health Care Trust (401(h) Trust) and the 115 Health Care Trust (115 Trust), worked together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. Each year, the OPERS Board of Trustees determines the portion of the employer contributions rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.00% for both the Traditional Pension and Combined plans. The 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 third trust is a Voluntary Employee's Beneficiary Association (VEBA) Trust that provides funding for a Retiree Medical Account (RMA) for Member-Directed Plan members. The employer contribution as a percentage of covered payroll deposited to the RMAs for 2016 was 4.00%.

In March 2016, OPERS received two favorable rulings from the IRS allowing OPERS to consolidate all health care assets into the 115 Trust. Transition to the new health care trust structure occurred during 2016. OPERS Combining Statements of Changes in Fiduciary Net Position for the year ended December 31, 2016, will reflect a partial year of activity in the 401(h) Trust and VEBA Trust prior to the termination of these trusts as of end of business day June 30, 2016, and the assets and liabilities, or net position, of these trusts being consolidated into the 115 Trust on July 1, 2016.

Substantially all of the Village's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2016, 2015, and 2014 was \$21,439, \$17,303, and \$11,487, respectively. The full amount has been contributed for all three years.

Village of Oak Harbor
Ottawa County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 9 - Postemployment Benefits (continued)

Ohio Police and Fire Pension Fund

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

OPF provides access post-retirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or statutory survivor benefit or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code allows, 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 publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OPF's website at www.op-f.org.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (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% of covered payroll for police. The Ohio Revised Code states that the employer contribution may not exceed 19.5% of covered payroll for police employer units. Active members do not make contributions to the OPEB Plan.

OPF maintains funds for health care in two separate accounts. One fund is for health care benefits under an IRS Code Section 115 trust and one fund is for Medicare Part B reimbursements administrated 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. The portion of employer contributions allocated to health care was .5% of covered payroll for 2016. 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 also is 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 contributions to OPF allocated to the health care plan for the years ending December 31, 2016, 2015, and 2014 were \$1,247, \$1,904, and \$1,901, respectively. The full amount has been contributed for all three years.

Village of Oak Harbor
Ottawa County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 10 – Debt

Loans

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
Ohio Water Development Authority (OWDA) Loans:			
1999 Sludge Handling - 2166	5.56%	\$ 1,003,563	January 1, 2021
2007 Combined Sewer Overflow (CSO) - 4806	2.86%	5,916,611	January 1, 2029
2009 Supplemental CSO - 5212	2.93%	348,916	January 1, 2029
2011 CSO Basin Improvements - 5953	3.36 - 3.77%	976,324	January 1, 2023
Ohio Public Works Commission (OPWC) Loans:			
CE03R	0.00%	129,676	January 1, 2036
Croghan Colonial Bank Loan:			
Street Sweeper - 26091559	3.15%	197,035	May 25, 2023

The Village's long-term debt activity for the year ended December 31, was as follows:

	Interest Rates	Balance at 1/1/2016	Increase	Decrease	Balance at 12/31/2016	Due in < 1 year
Governmental Activities:						
Street Sweeper	3.15%	\$ -	\$ 197,035	\$ -	\$ 197,035	\$ 25,565
Business-Type Activities:						
O.P.W.C. Loans		\$ 129,676	\$ -	\$ (6,484)	\$ 123,192	\$ 6,484
O.W.D.A. Loans	2.86% to 5.56%	5,549,303	-	(444,794)	5,104,509	452,380
Total Long-term Obligations		<u>\$ 5,678,979</u>	<u>\$ -</u>	<u>\$ (451,278)</u>	<u>\$ 5,227,701</u>	<u>\$ 458,864</u>

The Ohio Water Development Authority Loans were used for improvements to the Village's water treatment and sewer treatment systems. The loans will be paid from user charges.

During 2015, the Village completed Phase II of the State Route 163 Waterline Replacement Project financed through the Ohio Public Works Commission totaling \$129,676 with 0% interest to be paid from user charges.

During 2016, the Village purchased a street sweeper for use by the street department financed through a loan from Croghan Colonial Bank. The loan totaled \$197,035 and had an interest rate of 3.15%. The loan matures in 2023.

Village of Oak Harbor
Ottawa County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 10 – Debt (continued)

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2016 are as follows:

	OWDA Loans		OPWC Loans		Croghan Colonial Loan	
	Principal	Interest	Principal	Principal	Interest	
Year Ending December 31:						
2017	452,380	162,751	\$ 6,484	25,565	6,293	
2018	467,972	147,158	6,484	26,382	5,476	
2019	484,144	130,986	6,484	27,224	4,634	
2020	500,919	114,212	6,484	28,084	3,775	
2021	476,435	96,809	6,484	28,991	2,867	
2022-2026	1,954,641	291,854	32,419	29,917	1,941	
2027-2031	768,018	43,033	32,419	30,872	986	
2032-2036	-	-	25,934	-	-	
Total	<u>\$ 5,104,509</u>	<u>\$ 986,803</u>	<u>\$ 123,192</u>	<u>\$ 197,035</u>	<u>\$ 25,972</u>	

Note 11 – Joint Ventures

AMP Generating Station (AMPGS) Project

The Village is a member of the American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The Village's share was 1,000 kilowatts of a total 771,281 kilowatts, giving the Village a .13 percent share. The AMPGS Project required participants to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. These costs were therefore deemed *impaired* and participants were obligated to pay costs already incurred. In prior years, payment of these costs was not considered probable due to AMP's pursuit of legal action to void them. As a result of a March 31, 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability. The Village's estimated share of the impaired costs at March 31, 2014 was \$172,840. The Village received a credit of \$47,283 related to their participation in the AMP Fremont Energy Center (AFEC) Project, and another credit of \$45,225 related to the AMPGS costs deemed to have future benefit for the project participants, and payments made of \$57,039 leaving a net impaired cost estimate of \$23,293. AMP financed these costs on its revolving line of credit. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact the Village's payments. In late 2016, AMP reached a settlement in the Bechtel 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 \$29,099 to AMP toward its net impaired cost estimate. Also since March 31, 2014, the Village's allocation of additional costs incurred by the project \$2,058 and interest credited on AMP's line-of-credit of (\$93). As part of the Bechtel Settlement, the Village received a credit of (\$4,927) which was applied against its potential PHFU Liability, leaving a remaining balance of \$42,346 at December 31, 2017.

The Village intends to absorb these costs.

Village of Oak Harbor
Ottawa County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 11 – Joint Ventures (continued)

OMEGA JV2

The Village is a Non-Financing Participant and an Owner Participant with an ownership percentage of .55% 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 position 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, 2015, the outstanding debt was \$8,052,470. The Village's net investment in OMEGA JV2 was \$91,178 at December 31, 2015. Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor's website at www.ohioauditor.gov.

Village of Oak Harbor
Ottawa County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 11 – Joint Ventures (continued)

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

<u>Municipality</u>	<u>Percent</u> <u>Ownership</u>	<u>Kw</u> <u>Entitlement</u>	<u>Municipality</u>	<u>Percent</u> <u>Ownership</u>	<u>Kw</u> <u>Entitlement</u>
Hamilton	23.87%	32,000	Grafton	0.79%	1,056
Bowling Green	14.32%	19,198	Brewster	0.75%	1,000
Niles	11.49%	15,400	Monroeville	0.57%	764
Cuyahoga 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	<u>0.79%</u>	<u>1,066</u>	Custar	<u>0.00%</u>	<u>4</u>
	<u>95.20%</u>	<u>127,640</u>		<u>4.80%</u>	<u>6,441</u>
			Grand Total	<u>100.00%</u>	<u>134,081</u>

Under the Village's cash basis of accounting, the equity interest in OMEGA JV2 is not reported as an asset in the accompanying cash basis financial statements.

OMEGA JV5

The Village is a Financing Participant with an ownership percentage of .94%, 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 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 Bellville, West Virginia Locks and Dam) and sells electricity from its operations to OMEGA JV5 Participants.

Village of Oak Harbor
Ottawa County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 11 – Joint Ventures (continued)

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 & Management 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 position 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 the OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2015 the Village of Oak Harbor 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-Ohio issued \$153,415,000 and \$13,899,981 respectively of the 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. Due to scheduled principal repayments, the resulting note receivable has been reduced at December 31, 2015 to \$49,803,187. AMP will continue to collect debt service from the OMEGA JV5 participants until the note is paid in full.

The Village's net investment to date in OMEGA JV5 was \$28,086 at December 31, 2016. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at www.ohioauditor.gov.

Note 12 - Contingent Liabilities

Management believes there are no pending claims or lawsuits.

Village of Oak Harbor
Ottawa County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 13 - Interfund Transfers

Interfund transfers for the year ended December 31, 2016 consisted of the following:

<u>Transfers To</u>	<u>Transfers From</u>	
Other Governmental Funds	General	Total
Capital Improvements	40,000	40,000

The general fund transfers to the other governmental funds were made to provide additional resources for current operations and capital improvements.

Note 14 – Miscellaneous Receipts

In 2016, Other Governmental Funds Miscellaneous Receipts consist primarily of the amount received with regards to a trash bid.



Dave Yost • Auditor of State

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

Village of Oak Harbor
Ottawa County
P.O. Box 232
Oak Harbor, Ohio 43449

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 Oak Harbor, Ottawa County, Ohio, (the Village) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated November 29, 2018, wherein we noted the Village uses a special purpose framework other than generally accepted accounting principles. We qualified our opinion on all funds' payroll disbursements due to the lack of sufficient appropriate audit evidence supporting the amounts recorded in 2017 and 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weakness. We consider findings 2017-001 and 2017-002 to be material weaknesses.

Compliance and Other Matters

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

Village's Response to Findings

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

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 29, 2018

**VILLAGE OF OAK HARBOR
OTTAWA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

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

Accurate financial reporting is the responsibility of management and is essential to ensure the information provided to readers of the financial statements accurately reflects the Village's activity. The Village should have procedures in place to prevent or detect material misstatements for the accurate presentation of the Village's financial statements.

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

- The Village benefited from \$25,485 in Ohio Public Works Commission (OPWC) grant funding in fiscal year 2017 which was not recorded, resulting in an adjustment to intergovernmental receipts and a corresponding capital outlay disbursement as well as appropriations in the budgetary note;
- General Fund property and other local taxes were reclassified in the amount of \$95,474 from miscellaneous revenue to properly account for inside user kilowatt taxes; and
- The Village's annual report submitted via the HINKLE system did not include the proper amounts on the Budgetary Statement for the General Fund. Original and final budgeted receipts in the amount of \$91,477, original budgeted expenditures of \$60,000, and final budgeted expenditures of \$78,000 have been updated to properly reflect the Council approved estimated and actual receipts and disbursements.

We also identified errors requiring adjustment to the financial statements and/or notes to the financial statements for the year ended December 31, 2016 include:

- The Village benefited from \$137,375 in Ohio Public Works Commission (OPWC) grant funding in fiscal year 2016 which was not recorded, resulting in an adjustment to intergovernmental receipts and a corresponding capital outlay disbursement as well as appropriations in the budgetary note;
- The Village benefited from \$197,035 loan funding in fiscal year 2016 which was not recorded, resulting in an adjustment to other debt proceeds and a corresponding capital outlay disbursement as well as appropriations in the budgetary note;
- General Fund property and other local taxes were reclassified in the amount of \$100,909 from miscellaneous revenue to properly account for inside user kilowatt taxes;
- Remaining fund information miscellaneous revenue was reclassified in the amount of \$50,000 from intergovernmental revenue; and

**FINDING NUMBER 2017-001
(Continued)**

- The Village's annual report submitted via the HINKLE system did not include the proper amounts on the Budgetary Statement for the General Fund. Original budgeted receipts in the amount of \$145,287, final budgeted receipts of \$100,000, original budgeted expenditures of \$72,000, and final budgeted expenditures of \$188,022 have been updated to properly reflect the Council approved estimated and actual receipts and disbursements.

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 and notes to the financial statements have been adjusted to reflect these changes. Additional errors were noted in smaller relative amounts.

To help ensure the Village's financial statements and notes to the statements are complete and accurate and to help identify and correct errors and omissions, the Village should adopt policies and procedures, including a final review of the statement and notes by the Fiscal Officer.

Officials' Response:

While we accept the Finding 2017-001, it should be noted that the IPA firm who performed previous audits did not take exception to how these funds have been accounted for OPWC and kilowatt taxes in the past. The Village has done the following to bring itself into technical compliance with this finding - Create a line item account to clearly designate revenues into the general fund that pertain to the kilowatt hour tax and records grant funding from which the village benefits, even when the funding is not posted to our books.

FINDING NUMBER 2017-002

Material Weakness

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure that all transactions are properly authorized in accordance with management's policies and accounting records are properly designed and maintained.

Due to deficiencies in internal policies and procedures, the following weaknesses were noted during procedures performed:

- Individual employee timesheets did not always indicate where work was actually being performed in order to determine which fund should be charged; and
- The timesheets job assignments did not always agree to the fund employee paid from.

Accordingly, we were unable to obtain adequate assurances over the completeness and accuracy of payroll disbursements, which accounted for nineteen percent of the total expenditures for the year ended December 31, 2017 and twenty percent for the year ended December 31, 2016.

Lack of controls and deficient record keeping increases the risk that theft, fraud or errors could occur and not be detected in a timely manner, and resulted in a qualified audit opinion.

The Village should implement policies and procedures to help ensure each time she is completed based on the actual task each employee is completing and that employees are paid from and allowable fund based on the actual work being performed.

**FINDING NUMBER 2017-002
(Continued)**

Officials' Response:

The Village has traditionally used payroll procedure that most accurately reflects the amount that each fund should be billed for wages. While the procedure previously used by the Village produced the anticipated results, the Village has amended payroll procedures to ensure each time sheet is completed based on the weekly distribution of each employee's work and that employees are paid from appropriate funds based on the actual work being performed rather than an allocation of hours. We enacted these updated payroll procedures in August 2018 and are currently in compliance.

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Dave Yost • Auditor of State

VILLAGE OF OAK HARBOR

OTTAWA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 27, 2018